UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

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THE PRICE SITUATION, MAY, 1927

FARM PRICES

The general level of farm prices declined one point between March 15 and April 15, to 125, or 15 points below the index of a year ago. The slight decline during April was due largely to lower prices of wheat, rye, hogs, wool, and cotton which more than offset the increases in prices of cattle, lambs, chickens and several other products. Since the 15th of April the outstanding price changes have been increases in grain and cotton prices and decreases in butter and hog prices. The index of farm prices in the immediate future will continue approximately at its present level, with higher cotton and grain prices largely offsetting lower hog and dairy product prices.

With a moderate decline in non-agricultural prices, as well as in farm prices, the relative exchange value of farm products remains at 82 (as of March). The increase in this ratio from 74 in 1922 is now due almost wholly to the lower level of non-agricultural prices. The latter now, at 153, is about 30 points lower than during 1922, while farm prices at 125 have now declined almost to their 1922 level of 124.

BUSINESS CONDITIONS

Business activity during April as measured by bank debits appears to have been at a somewhat higher level than a year ago, and about as high as at any time in recent years. At the same time commodity prices continued to decline, particularly fuels, metals, building materials and agricultural products, the latter advancing somewhat during the first week of May. Non-agricultural prices as a whole are now at the lowest level since the war.

Activity during April in the outstanding industries was not materially different from that of March. Cotton mill activity appears to have continued close to the record of March. Another increase in automobile output is indicated by Detroit employment figures, but production is still below last year's level, and sales do not appear to have made the usual increase over March. Building activity, as indicated by the value of contracts awarded, was again at a very high level as in March, so that the total for the first four months of this year was only slightly below that of last year for the same period.

In the iron and steel industry, output increased during the month, but remained below the output of a year ago.

The primary distribution of goods during April, as indicated by freight car loadings, was somewhat below that of March as a result of the coal strike, but larger than a year ago. Estimated car requirements for the immediate future suggest a continuation of the volume of distribution at last year's level. The distribution of goods to consumers through such retail channels as mail order houses, department stores, and 5 and 10 cent stores exceeded that of a year ago by 7, 8 and 22 per cent respectively.

Money conditions continue easy and favor a continuation of industrial production and employment at present levels. Commercial loans by Federal Reserve Member Banks, as well as loans on stocks and bonds continue higher than loans of a year ago.

WHEAT

The price of wheat continues fairly stable with a tendency to strengthen after reaching a low point about the middle of April. The farm price of wheat as of April 15 averaged $1.17, four cents below the average price for the middle of March. In the primary markets the low

point was reached about the middle of the month and by the end of the month prices had recovered more than was lost between the middle of March and the middle of April. The average market price for all classes and grades at the end of the month was $1.35 as compared with $1.31 for the week ending April 15. In this period No. 2 hard red winter rose from $1.30 to $1.32, No. 2 soft red winter at St. Louis from $1.27 to $1.32, and No. 1 dark northern spring at Minneapolis from $1.39 to $1.44. Since the beginning of May market prices have continued fairly stable at the higher level, indicating that world market conditions are such as to maintain prices in general near the present level until changes in crop prospects modify the situation.

Factors favorable to maintaining wheat prices through the remainder of the season are lower ocean freight rates, scarcity of home supplies in many European countries and the absence of accumulated stocks of imported wheat and in some countries prospective lateness of the harvest season. On the other hand, conditions generally are favorable to a good crop in the Northern Hemisphere, but crop prospects are always uncertain until close to the harvest time.

Crop prospects are now an important factor in the outlook for winter wheat prices. The May 1 forecast of winter wheat production is only slightly less than the estimated production for last year, while the stocks of old wheat on hand March 1 in the winter wheat territory were somewhat larger than last year, making the prospective winter wheat supplies for the year in the United States approximately equal to those of last year.

Prospects for winter wheat production in foreign countries in the Northern Hemisphere are somewhat better than last year. Under these conditions the adjustment of prices of winter wheat from old crop to new crop basis should be gradual with the direction determined largely by the strength of European demand early in the season and developments in the prospects for the world wheat crop.

Durum wheat prices have come down approximately to last year's level at this season. Further developments of the market will probably await more definite information as to the outturn of approaching harvests in North Africa and Southern Italy.

The adjustment of spring wheat prices to new crop basis will await developments in the spring wheat crops of the United States and Canada where prospects will remain somewhat uncertain until in July and August. Reports indicate that there is abundance of moisture in the ground to produce a good crop both in Canada and in Northern United States. Seeding, however, has been retarded.

CORN

The farm prices of corn, 65.6 on April 15, was .4 cent higher than for March 15 and .1 cent less than a year ago. During the first half of April corn prices remained fairly steady but during the first week in May showed some strength, the price of No. 3 cash corn at Chicago advancing from 71 cents on April 28 to 77 cents on May 6. This advance has been due to light receipts of corn and a more active demand. The increase in demand is reflected by the heavy deliveries of May futures and the large amount of corn which has been removed from storage.

Corn prices apparently reached the low point for the season on March 7 when the price of No. 3 cash corn was only 65.1 cents. The advance in price of 12 cents has been some greater than the usual seasonal advance from March to May. The trend of corn prices during the next month depends upon whether or not recent increases in demand will continue and the amount of corn which remains to be marketed after the spring work is completed. The western states have been active buyers during the last few weeks and some corn is being shipped to the southwest. Should favorable weather conditions advance the pastures in these areas, it is possible that the demand for corn will decrease somewhat. The visible supply of corn is still large and elevators are anxious to get rid of the corn as there is always a risk of its spoiling during the summer months.

The late planting season has not yet materially affected the planting of corn, but it has delayed oats seeding somewhat and this may cause a considerable amount of the acreage, which was originally intended for oats, to be shifted over to corn. The corn acreage will undoubtedly be reduced some by the recent flood in the Mississippi valley, but this reduction will likely be more than replaced by increased acreage when it was too wet to plant oats at the proper time. Weather conditions in the future will have considerable effect on corn prices because of the uncertainty of the acreage that will be devoted to corn.

HOGS

Hog receipts at twelve principal markets were practically the same during April as during last April and slaughter was somewhat larger. While average weights were heavy, they still continued below last year. In spite

of this normal seasonal reduction in hog marketings, hog prices continued the decline which has been noticeable since February. Market prices for the month at Chicago averaged $10.52 for heavy hogs, a decline of 60 cents from March and of nearly a dollar and a half from last April. The average farm price as of April 15 at $10.41 reflected much of this decline, being a full dollar below the same date a year ago.

Both fresh pork and cured pork products declined during the month, the reduction being most marked for fresh cuts. Pork products are now much lower in price than a year ago, cured products being about one-eighth lower, and fresh products even more.

The reduced export demand seems to be one important factor in the present price situation. Production in Denmark and Germany has sharply increased. At the end of April, Berlin hog prices, at about $11.50, were four dollars lower than a year ago. Our exports of lard to Germany have decreased somewhat, while our exports of bacon, ham, and shoulders to Great Britain have been cut to less than half that of a year ago. American lard and pork exports to all countries since January were one-sixth to one-quarter below last year, while bacon, hams and shoulders were only 40 to 50 per cent of last year. The index of export demand (which takes account of price as well as volume) has fallen from 126 for last March to 112 for January, 1927, 91 for February and 77 for March.

The reduced export demand, especially for hams and bacon as a result of the British situation, has been reflected in our markets, bacon showing the greatest price reductions from last year of any one product.

The decrease in export demand explains in considerable part the reduction in hog prices this spring. However, since domestic consumption

of pork products has been little larger than last year from January 1 to date, and prices have declined materially; domestic demand may have decreased, particularly in the South. The fact that the general level of commodity prices is about 5 per cent lower than a year ago is another factor contributing toward lower hog prices. With increasing foreign production there does not seem to be much probability of a material change in the export situation through the next six months. Unless export demand does improve, the present level of hog prices will probably continue with the usual mid-summer dip and fall advance, the latter perhaps less marked than usual because of the slight increase in the size of last fall's pig crop.

CATTLE

Cattle prices advanced during the first half of April, carrying the prices of all kinds of cattle to the highest for April since 1920 and of some kinds to the highest point in any month in six years. Increased receipts the third week of the month resulted in a rather sharp break, amounting to as much as $1.00 a hundred on some kinds. This break resulted in reduced shipments, and by the first of May most kinds of cattle were about back to the high point.

Receipts of cattle at seven leading markets in April were 11 per cent below April, 1926, and 10 per cent below the 5-year average for the month. The inspected slaughter of cattle during the first quarter of 1927 was about 2 per cent smaller than in 1926, but larger than in any other year since 1919. The average cost of cattle slaughtered for the three months was about 50 cents higher than last year. Receipts of choice steers

at Chicago were considerably greater in April this year than last, but the average price was nearly $2.50 higher. The present high cattle market seems to be due to increased demand as well as to reduced supplies. Present indications are for continued moderate supplies, but some falling off in demand may develop if the prices of pork products continue to weaken.

LAMBS

The lamb market continued strong throughout April and at the end of the month top prices on fed lambs at $17.25 were the highest for any April since 1920. Prices of killing sheep also reached the highest point of the current year. Supplies of Arizona and California spring lambs in considerable volume reached middle western markets and sold mostly from $17.00 to $18.00. Sheep and lamb receipts at seven leading markets during April were 7 per cent smaller than last year, but above the 5-year average for the month.

The high prices for fed lambs during March and April resulted in very profitable feeding returns to the reduced number of Colorado feeders this year. This has resulted in a strong demand for feeding lambs for next winter in Northern Colorado, and many feeding lambs have been contracted in Wyoming, Utah, New Mexico and other states at prices ranging from 10 to 11¼ cents and some higher. A year ago, following an unprofitable feeding season, few contracts had been made and feeders were insisting that 9 cents should be the maximum.

Supplies of fed lambs during May will be small, but the movement of early spring lambs and Texas grass sheep is expected to be large and to bring total supplies up to normal for the month

COTTON

Prices received by producers on April 15 averaged 12.3 cents compared with 12.5 cents on March 15, and 16.6 a year ago. The movement of prices of spot cotton at the ten designated markets during April was generally upward, being almost a cent higher at the close of the month than at the beginning. Spot prices at the ten designated markets continued upward during the first week in May, averaging 15.09 cents as compared with 13.73 cents for the first week in April and 18.02 the first week in May a year ago.

The cotton price situation at the present time is responsive to reports of flood conditions, particularly in the Mississippi Valley, as they are expected to affect new crop acreage in the inundated areas where long staple cotton is mostly produced. Other factors which have some influence are the further prospects of heavier initial infestation by the boll weevil, delayed planting in many sections, the heavy export movement, and the continued high rate of domestic consumption.

World spinners' takings continue to make large gains over those of last year, being 800,000 bales ahead at the end of February, 1,200,000 bales at the end of March, and 1,600,000 bales ahead at the end of April. Private estimates place the total mill takings of all cotton from the beginning of the season to the end of April at 19,000,000 bales.

In contrast with the Continent where the outlook continues good for the cotton industry are the financial difficulties in Japan, the disturbances in China, and the less favorable situation in Great Britain.

WOOL

After several weeks of marked stability in wool prices at Boston a decline was noted in April for several grades. Prices received by producers averaged 30.4 cents on April 15, compared with 31.3 cents on March 15, and 31.1 cents on February 15. A slow demand continues to characterize the domestic market, and manufacturers are reported to have restricted purchases largely to immediate requirements.

While the closing rates of the second series of the London sales on April 1 were generally about 5 per cent higher than the closing rates of the previous sales, signs of weakness appeared at the opening of the third series on May 3 and prices were easier for some grades. Competition was not active and the general tone very dull.

Business in wool tops at Bradford the first week in May was dull, and merchants were withholding commitments awaiting the trend of prices and developments at the London sales.

The movement of foreign wool from the United States to markets abroad continued, but the volume of business toward the latter part of April decreased. March imports of clothing and combing wool were slightly greater than in February, but were 43 per cent less than for March, 1926. Consumption for March (grease basis, carpet wool excluded) continued at a good rate and was higher than for any March since 1923, but the general trend in consumption since last October appears to have been downward. During the past five years, downward tendencies in consumption have been followed by weak or lower prices.

BUTTER

The monthly average price for April again failed to show the usual seasonal decline; erratic fluctuations, within a 9 cent range, indicated but little stability, but it was not until the final week that prices turned definitely downward. The average price at New York for the month was 50.4 cents, 11 cents higher than for April, 1926 and the highest April price since 1920.

The outstanding change in the market picture during the month was that of receipts. For the first time this year arrivals began to equal or exceed the receipts of corresponding weeks of last year, the increase becoming increasingly marked during the latter half of the month. To a large degree this increase is accepted as indicative of material increases in production, a conclusion confirmed by reports from trade sources.

The dominant factor on the market now and for the months immediately ahead is the volume of production. The fact that storage stocks on May 1 were the lowest in ten years for this date is more interesting than significant. Last year production was affected by the decreasing number of dairy cows and an unusually poor pasturage season. The former factor is still an influence, there having been little change in the dairy cow situation and gradually rising beef prices tending to prevent much additional diversion of beef animals to dairy uses. However, with weather conditions this spring quite favorable to pastures throughout the dairy belt, it would require weather considerably less favorable than normal to cause a repetition of last year's low summer production.

Ordinarily butter prices reach their low point in July with an average price 12-15 per cent below the April average. At the end of the first week in May butter prices this year were already 11 per cent below

the April average. Prices so far this year have been much above last year. In view of the favorable production prospects for this summer it does not seem likely that this situation will continue and it is not unlikely that prices may drop below those of last summer.

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THE PRICE SITUATION, JUNE, 1927

FARM PRICES

The general level of farm prices advanced one point between April 15 and May 15, to 126, or 13 points below the index of a year ago. This slight increase was due largely to higher prices of cotton, grains, potatoes and apples which more than offset the lower prices of eggs, butter and meat animals, particularly hogs. Since May 15, prices of cotton and grains continue to advance while livestock and livestock product prices have remained weak. With crop conditions generally backward the level of farm prices during the next two months promises to be somewhat higher than in May.

The slight increase in the average of farm prices in May, with the level of nonagricultural prices practically unchanged, produced a further increase in the relative exchange value of farm products. Since last November, this ratio has advanced from 80 to 84 in May, and may continue to advance further during the next two months unless nonagricultural prices should also advance as much as farm prices. In recent weeks textile, building material, metal as well as farm product prices have strengthened, and suggest that temporarily the end of the decline in the general price level in progress during the past two years may be near.

Should the general commodity price index in the immediate future show another temporary short-time advance, then we will have had fluctuations in the general price level during the past six years comparable with those during the ten years before the war. Prices then advanced and declined three times during the ten year period, a rise and fall occurring

in approximately three and one-half years. Since 1921 we appear to have had two comparable movements of about the same magnitude lasting somewhat more than three years.

GENERAL BUSINESS ACTIVITY

Business activity as a whole, as measured by bank debits, appears to continue unusually high. In all except some of the agricultural regions of the South and Northwest bank debits during May were well above those of last year.

In productive activity moderate seasonal slackening was again evident during May. Pig iron production declined somewhat more than usual, steel production declined very little, and steel consumption was well maintained. In the automobile industry, there was a slackening of production toward the end of May, output being below that of last year. Coal production increased, the output of anthracite being above last year's output, while that of bituminous about 10 per cent below. The cotton textile industry continued its high rate of mill activity, with low stocks and large forward orders.

Primary distribution of goods as shown by car loadings, as well as retail distribution, was not maintained at the high levels of April. Car loadings during May fell slightly below those of a year ago, and it is now estimated that for the entire year of 1927 they will total about one per cent less than in 1926. Department store sales (New York area) during May were about three per cent below those of a year ago, and mail order house sales, which in April exceeded sales of April, 1926, were in May only equal to those of a year ago. The slackening in retail trade may be a reflection of the lower volume of factory employment and payrolls, which

has so far this year been below that of the same period of 1926.

Credit made available for commercial and speculative purposes at the end of May exceeded that of a year ago, with commercial loans only moderately greater, but loans on stocks and bonds about ten per cent greater. This is reflected in the continued rise in the stock market to new high levels during May in spite of slightly firmer interest rates, which did not decline during May of this year as they did a year ago. Money is still, however, relatively cheap, and together with evidences that the decline in the general commodity price level of the past two years may presently terminate, suggest that only a seasonal slackening in general business is to be expected during the summer months.

WHEAT

Prospects for a reduced wheat acreage in Canada, late harvests in many countries, a shorter winter wheat crop in the United States, and the continuation of heavy European buying have caused wheat prices to rise in the past months. The average farm price of wheat as of the middle of May was $1.23, as compared with $1.17 in April and $1.42 in May last year. Market prices for allclasses and grades rose from $1.39 at the end of the first week in May to $1.51 for the week ending June 3. No. 2 hard winter at Kansas City rose from $1.36 to $1.49 and No. 2 soft winter at St. Louis from $1.37 to $1.51, while No. 1 hard spring at Minneapolis increased from $1.49 to $1.61, and No. 2 amber durum from $1.59 to $1.61. The higher points reached at the beginning of the month are well maintained. New wheat may cause a slight seasonal reduction in the winter wheat market prices when it begins to arrive in large quantities, but cash spring wheat prices are likely to be maintained near present levels through the next four weeks.

While there is still much uncertainty as to the prices that may be received for the new wheat crop of the United States, at the present time the prospects for marketing the crop appear to be at least as good as they were last year. Last year the price of No. 2 hard winter wheat at Kansas City on July 1 was $1.30. The price dropped from an average of $1.64 the week ending June 11 to $1.30 on July 1. This great change was due not only to the shift from old to new wheat but also a shift from a short crop to a large surplus basis. The change this year should be more gradual. With the prospect of a reduction of about 90 million bushels in the new winter wheat crop, the increase in carryover will probably not be large enough to make the available supply in the United States as large as last year. Conditions in European countries outside of Russia promise a somewhat larger crop than last year. In France, one of the largest producers, May 1 conditions indicate a possible increase of about 25 million bushels of wheat over last year, and the Belgian crop is forecast to be two million bushels larger. European stocks of old wheat, however, have been reduced to a minimum, and delayed harvests will cause Europe to continue to buy rather heavily through July, making a good demand for the early harvest of new wheat in Southwestern United States and the remaining stocks of old wheat in all exporting countries. The Russian crop remains a very uncertain factor in the situation.

The outlook for the market for spring wheat will depend mainly upon two factors,- first, whether or not the production of spring wheat equals or exceeds domestic requirements of that class of wheat, and, second the outturn of the Canadian crop. At the present time the indicated reduction in the area of Canadian wheat is favorable to better prices, but a good growing and harvesting season still might result in supplies of hard spring

wheat in the United States and Canada equal to those of last year. The outlook for marketing durum remains favorable on account of reduced acreage in North Africa and prospects for poor yields in Southern Italy and Tunis.

CORN

The price of corn continued to advance during May due to unfavorable planting weather. The farm price of corn on May 15 was 73 cents or 7.4 cents higher than on April 15 and 5.9 cents higher than in May a year ago at Chicago. From May 15 to June 8 the price of No. 3 yellow corn in Chicago advanced from 35 cents to $1.00. The advance in price during the latter part of May caused some increase in receipts at the primary markets especially in the western part of the corn belt.

The planting of corn has been unusually late over the entire corn belt due to a wet spring and cloudy weather. In eastern Iowa and Missouri and in southern Illinois, Indiana and Ohio, and northern Kentucky, where about 30 per cent of the corn crop is produced, planting has been especially late with only about 25 to 50 per cent of the crop planted by June 1. However, with favorable weather for corn in this area for the remainder of the growing season it is still possible to mature a crop of corn. In the northern part of the corn belt planting is now nearly completed and the western part of the corn belt reported 90 to 100 per cent of the corn planted on June 1.

The acreage devoted to corn in 1927 depends upon the conditions for planting during the first half of June. The relatively high price of corn which has prevailed during the past two weeks will encourage farmers to make an extra effort to plant their intended acreage to corn. The yield

of corn and the quality of the crop will be determined by weather conditions during the next three months. The trend of corn prices during the summer will be determined largely by weather conditions for the new crop and the visible supply at the primary markets.

COTTON

Prices received by producers on May 15 averaged 13.9 cents compared with 12.3 on April 15 and 16.0 a year ago. At the ten designated spot markets prices continued to advance during the latter part of May and early part of June, averaging 15.38 cents for May and 15.80 cents on June 8. The cotton market is now influenced largely by reports of weather conditions.

This season has been characterized by a heavy movement of cotton into consumptive channels, particularly during recent months, as a consequence of the low price of raw cotton, general prosperity in the United States and improved economic conditions abroad. The amount of American cotton "gone out of sight," or takings by spinners in all countries reached 16.0 million bales by the first of June, compared with 13.5 million bales during the same period last year according to "The Commercial and Financial Chronicle". Consumption in the United States from August 1 up to April 30 was 5,338,000 bales as compared with 4,959,000 bales the same time the previous year. This high rate of mill activity, however, may result in accumulation of stocks of manufactured products, the effect of which would be reflected on the price of the raw material, but as yet there is no evidence of accumulation of finished goods in the United States. Statistics on stocks of finished goods are incomplete, but reports to the Association of Cotton Textile Merchants of New York from mills and commission dealers representing a large part of the industry show a reduction in stocks of finished goods on April 30 of 35 per cent from the same time a year ago.

Sales during April were 106 per cent of production, while for April a year ago the ratio of sales to production was 80 per cent.

In Germany and Central Europe stocks of cotton products in the hands of the trade the middle of May were filling up to a more normal level and incoming orders on hand were somewhat lower than at the end of March. The high level of activity reached in the German and Central European cotton industry during March was well maintained in April and early May, and the outlook continues favorable. Spinners were booked up for five or six months ahead, and weavers four to five months, so that activity should be well sustained for some time to come, even though recession from the recent high rate of production may take place. The outlook for the cotton industry in Belgium, France and Italy is uncertain, both as to domestic and export demand. The demand, both for cloth and yarn, has been checked at Manchester by the introduction of the new minimum rates of the Cotton Yarn Association, making negotiations difficult, but the tone of the market remains good.

In Japan, the Cotton Spinners Association has reached an agreement to curtail production by 15 per cent for a period of six months beginning May 1.

It may be observed that this season to date prices have followed in general the same movement as those of 1911-12, and more closely the average movement of prices in years of large crops followed by smaller crops (See October, 1926 Price Situation). The large crop of 1911 of 15.7 million bales was followed by a smaller crop of 13.9 million bales, but farm prices, which advanced from the low level of 8.6 cents in December, 1911 to 11.1 in June, remained approximately at that level until December, 1912 when it averaged 12. cents. Floods occurred in both this and the 1911-12 season.

WOOL

The average price received by producers on May 15 was 30.1 cents compared with 30.4 cents on April 15 and 32.0 cents last year. Prices of domestic raw wool at Boston also showed further declines during May, and the market toward the latter part of May was characterized by slow demand.

Consumption of clothing and combing wool, grease basis, for April declined as usual from March, but was somewhat higher than April of the two previous years. Total consumption as reported of all wool from January 1 to April 30 was 191 million pounds (grease equivalent) against 166 million for the same period last year, all of the increase being in domestic wool. Total stocks held by reporting dealers and manufacturers on March 31, 1927, were 13 per cent less than on December 31, 1926.

Prices at the third series of the London Sales recovered from the decline at the opening, with closing rates for most grades about on a par with those at the close of the previous sale. The decline at the opening of the third series was attributed to the bad selection and heavy withdrawals of wool held in reserve, reports of easier markets in Australia, and slackness of inquiries during the interval between the two sales. One factor causing the later recovery was the decision to curtail the sales and close before the date originally scheduled. The amount of wool available was thus reduced to such an extent that a keener demand resulted and prices became strong.

The most important factors affecting the domestic price of wool, such as indexes of business conditions and the general price level, are discussed elsewhere in "The Price Situation."

CATTLE

Although cattle receipts at seven leading markets during May were about 3 per cent larger than last year and above the 5-year average for May, and the indicated Federal inspected slaughter probably the largest on record for May, prices on all kinds were at the highest levels for the month since 1920. With supplies of good and choice beef steers at Chicago the largest for the month in at least six years and twice as large as in May, 1926, top and average prices on these grades were the highest for the month since 1920. The average price of the better grade beef steers showed little change in May over April, but common steers made a seasonal advance. Compared to May last year all grades were materially higher and the general average of all grades was over $1.50 higher.

In view of the weakness in the hog market this continued strength in the cattle market in spite of liberal supplies is unusual, and the reasons for it are not clearly in evidence.

The marked advance in corn prices during May began to show its effect in the cattle market toward the end of the month and the first week in June. Receipts of corn finished cattle tended to increase and the demand for cattle suitable for summer feeding to decline. Abundant pasture, however, maintained the keen demand for stocker cattle at all markets.

LAMBS

The farm price of lambs on May 15 at $11.92 per hundred pounds was 5 cents lower than on April 15 and 14 cents higher than a year ago. At Chicago prices of both fed and spring lambs declined steadily during May from the high level reached the latter part of April. These decreases were

around $1.50 per hundred on all kinds. While supplies of fed lambs were comparatively small, and made up largely of shorn lambs from commercial feed lots, this shortage was more than offset by liberal supplies of spring lambs from many areas, but especially from California and Arizona and of grass sheep and yearlings from Texas. Receipts at seven leading markets were more than 10 per cent larger than in May, 1926, and about the five-year average for the month. The indicated inspected slaughter, however, was about the largest on record for the month.

Supplies of spring lambs in June will probably be moderate, especially during the first half of the month, due to the slow development of the early lambs in Idaho, but may be unusually heavy toward the end of June and the first half of July. Consumer demand for lamb continues strong and lamb prices are expected to continue at a comparatively high level.

HOGS

Hog prices declined continuously during May with weekly average costs at Chicago nearly $1.00 lower the last week than the first. The average cost of packer and shipper droves in May this year was $9.59 compared to $10.69 in April and $13.55 in May, 1926. At the end of May hog prices were at the lowest point since December, 1924. Further decline the first week in June brought top prices practically to 9 cents and the lowest since July, 1924, when prices began their recovery from the low point of the cycle.

Receipts at seven leading markets were 15 per cent larger in May this year than last, and the indicated inspected slaughter was over 1/2 million head larger than in May, 1926. Storage stocks of pork on June 1

were materially larger than on June 1, 1926, and increased considerably during May.

The heavy marketings of hogs in May apparently were due to the continuous fall in prices and to the big advance in corn prices. Since the middle of April the whole hog situation has changed radically. A corn-hog ratio stillhighly favorable to feeding by the first of June has shifted to one decidedly unfavorable. Producers with available market hogs hastened to ship and by the first of June this had some appearance of frightened liquidation of last fall pigs. This liquidation of fall pigs will probably continue through June. During July a heavy movement of half-fat, grassy sows may be expected if the corn situation, both as to price and prospects for the new crop continues unchanged.

The heavy slaughter in May and June should improve the market situation during the summer, especially if the lower range of products prices results in a consumption equivalent to current production with little increase in storage stocks. The indicated supplies of hogs for the three months, July to September, will be considerably below last year, with a large proportion of low quality hogs. Under such conditions a sharp seasonal advance on good butcher hogs would seem fairly certain.

BUTTER

The butter price situation during May was even more than ordinarily dominated by the conditions affecting current production. Neither the abnormally low movement out of storage nor the slight movement of new stock into storage during the month is of particular significance in the present situation even though the net effect is that stocks at the end of May are only about half as heavy as a year ago. The seasonal decline in price has

narrowed the margin between domestic and foreign prices to a point well below the tariff and importation has stopped.

Pasture conditions, which now dominate the supply situation, are unusually favorable. On June 1 the condition for the entire United States was 88.3 per cent against 77.0 per cent last year and 86.6 per cent as the 10 year average. In the principal butter-producing states the comparatively favorable condition was even more marked. Minnesota conditions reported this year, last year and the average were respectively 90, 64 and 84; Wisconsin, 91, 86 and 86; and Ohio 94, 77 and 88.

Receipts on the four markets from January 1 to April 30 were slightly less than a year ago. During May, however, net receipts amounted to 61 million pounds representing an increase of more than 17 per cent over May receipts of last year, and exceed the May receipts of any of the preceding ten years.

The possibility suggested a month ago of prices dropping even below those of last summer is brought nearer by their rapid decline since the middle of April. The April price of 54 cents on 92 score in New York was the highest April average since 1920 and 11 cents higher than in April last year. For May, the average of 43.5 for 92 score was only three cents above that of May, 1926. On 88 score butter the drop was from 48.6 in April to 39.1 in May which was only one cent higher than a year ago.

EGGS

A further decline in egg prices greater than usual for this time of year occurred during May as a result of continued heavy receipts and heavy into storage movement. On May 15 the average farm price at 19.8 cents per dozen was 5.4 cents lower than a year ago and was one half cent lower than on April 15. During the past 3 years there has been an average in-

crease of about one half cent between April and May. When adjusted for the usual seasonal changes, egg prices at the farm on May 15 were as low as on May 15, 1924, and considerably lower than for the same month of 1925 and 1926, as shown by the following percentages of the pre-war average prices.

May		
1910-14	=	100
1924	=	119
1925	=	149
1926	=	151
1927	=	119

Egg prices at the farm usually reach their low seasonal point either in April or June.

Production over current needs has been piling up in the coolers until on June 4 storage holdings in the four leading markets exceeded that of last year by 966,000 cases or 36 per cent. Stocks of frozen eggs are also heavier than last year, being on June 1 at least twice as heavy as a year ago. Imports of frozen and dried eggs from China for the first four months were also materially in excess over those of a year ago, although the prospects for the remainder of the year are for smaller imports because of reduced production of egg products in China.

The last week in May and the first week in June witnessed a falling-off in egg receipts at the four leading markets. At present prices of eggs and poultry feeds, many specialized egg producers are finding it exceedingly difficult to break even and some readjustments are likely to take place among the more inefficient producers. The unseasonably cool weather during the past month in many egg producing areas has been conducive to heavy egg production and small losses from deterioration. In view of the fact that hens have been laying so heavily throughout the spring months due to favorable weather and other conditions, it seems reasonable to assume that an

appreciable reduction in production will take place as soon as the hot weather sets in. It is to be observed that prices to producers reached their seasonally low points in June in years such as the present when the May farm price continued to fall below the April price.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

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THE PRICE SITUATION, JULY, 1927

FARM PRICES

The general level of farm prices advanced four points between May 15 and June 15, to 130, but was 9 points below the index of a year ago. This increase was due largely to advances in most of the commodities included in the index, particularly grains, cotton, potatoes and apples. Considerable declines in hog prices and prices of dairy and poultry products only partly offset the advances. Since June 15, reduced egg receipts have strengthened egg prices, the movement of the new crop has lowered wheat prices and indications of a greater than expected acreage reduction have further strengthened cotton prices. A continuation of these offsetting tendencies may maintain the level of farm prices during the next few weeks approximately at its present level.

The four-point increase in the average of farm prices in June, with the level of nonagricultural prices practically unchanged, produced a further improvement in the relative exchange value of farm products from a ratio of 84 in May to 87 in June, compared with 87 a year ago. Any further advance in farm prices during July and August would mean another gain in relative exchange value of farm products since nonagricultural prices as a whole show relatively slight changes from month to month. During June textile and building material prices advanced slightly, while prices of other commodity groups were slightly weaker.

GENERAL BUSINESS ACTIVITY

Business activity as a whole, as measured by bank debits toward the end of June, was slightly below that of a year ago, while in earlier months they were well above last year's levels. Reductions appear to have taken place in both industrial and agricultural districts, but industrial districts appear to have shown a greater volume of business during the first part of July.

In productive activity further slackening in some instances more than seasonal took place during June. Pig iron and steel production declined below last year's levels, and as indicated by weakness in prices and reports of railroads on prospective car needs, iron and steel production may continue low during the next two months. Automobile sales and production continue below last year's levels. The value of current construction activity during June was approximately equal to that of last year, but building permits for future activity continue to be below last year's values, as are also the comparable figures on floor space of contracts awarded.

The primary distribution of goods as shown by car loadings during June again fell slightly below the corresponding month of 1926, but retail distribution, particularly through chain stores, appears to have improved considerably. This increase has occurred in spite of the generally lower level of earnings of industrial employees. Mail order house sales were approximately 3 per cent greater than a year ago.

The credit situation by the end of June was marked by practically the same characteristics as during May. Commercial loans are only moderately greater than a year ago, reflecting the seasonal slackening in business, but loans on stocks and bonds are considerably greater. During

June practically all of the expansion in credit has gone to increase loans for noncommercial purposes, rather than for production and trade.

Slightly firmer interest rates during the past month were accompanied by a downward trend in stock prices from the peak reached about the first of June. Analysts of the general business situation still see in the relatively cheap money situation a recovery in business activity toward the end of the year from the recent and prospective mid-year recessions. Should this take place, it will of course tend to improve the purchasing power of industrial workers which so far this year has continued below that of last year.

WHEAT

Winter wheat prices are starting the new crop season on a level somewhat above that of the beginning of last season. Prospects for the season are still quite uncertain. Condition reports to date indicate a possibility that production in the Northern Hemisphere will be about the same or a little larger than last year, while the Southern Hemisphere crops may be smaller. Stocks of old wheat are a little larger in exporting countries but are very light in importing countries. The outlook, however, may be materially changed still by developments in Canada, Russia and the Southern Hemisphere.

From the middle of May to the middle of June farm prices of wheat rose from an average of $1.23 a bushel to $1.30, but since the middle of June market prices have fallen and farm prices are now probably but little if any higher than in the middle of May. The downward adjustment in the case of winter wheat was expected and is of course due mainly to a shift

from old to new wheat. Spring wheat prices, however, unexpectedly followed the course of the winter wheat prices, indicating some weakening in the market for wheat. July wheat in Liverpool declined from the equivalent of $1.64 for the week ending June 3 to $1.61 for the week ending July 1; and in Winnipeg from $1.60 to $1.59; while the average of all classes and grades of cash wheat at five markets in the United States declined from $1.51 to $1.44. In all markets the decline is less than in the same period last year, and prices are holding somewhat above last year notwithstanding that in the meantime there has been some decline in the general price level.

Since present prospects for the wheat crop in the Northern Hemisphere are about the same as at the beginning of each of the two past years, it may be of interest to note the course of prices and events in those years. Two years ago the prices of wheat were slightly higher than they are now, all classes and grades at five markets averaging $1.52 for the first week in July as compared with $1.44 this year, and the general price level was about 15 points higher. Prospects for the Northern Hemisphere crop were about as good as they are at present, with a short crop in the United States. Prices rose from the first of July until the first of August, and then prospects of a good crop in the Northern Hemisphere became more certain, Europe was harvesting a large crop, a good Canadian crop was assured, conditions seemed favorable in the Southern Hemisphere, and prices declined to a comparatively low level in the latter part of September. Reports of deterioration in the Argentine crop began to appear and prices started to rise. The reduction in the Argentine crop, a realization that Europe would not reduce buying so much as her crop was increased, and the comparatively small amount of United States wheat to

be exported caused prices to rise until January, from which time there was a slow and uneven decline through most of the remainder of the year.

Last year the United States was on an export basis for practically all kinds of wheat throughout the year, and prices remained remarkably stable until in recent months. Prices were held down somewhat at the beginning of the year by a rise in ocean freight rates, and European buying was delayed by higher European prices caused by the rise in transportation charges. Following an excellent harvest in the Southern Hemisphere, prices sagged somewhat, reaching a low point the last of March. Greater activity in European buying and uncertainty as to the new crop have caused prices to rise, reaching the highest levels of the year about the first of June.

In 1925 producers would have gained by holding until the first of January but not longer. Last year, however, they would have had to hold until the first of June to realize the highest prices of the year. The experience of the past two years illustrates well the irregularity and uncertainty of the course of prices during the year.

Present prospects for this season are that in the United States all classes of wheat with the possible exception of soft red winter will be upon an export basis throughout most if not all of the year. The outlook for marketing durum continues favorable. The indicated increase in the United States durum crop may be about offset by reductions elsewhere. The durum wheat crop of Southern Italy is probably less than last year and the North African crop somewhat better, while Russian and Canadian supplies are still uncertain. The outlook for spring wheat of course depends very largely upon the outturn of the Canadian crop. All that can be said at the present time is that prospects are about as good as last year, on the assumption that Southern Hemisphere crops may be somewhat less than last year, the reduction there offsetting the prospective increase in the European crop. In the next four weeks prices will be influenced mostly by reports as to conditions of growing crops and crop reports from all parts of the world, with a possible slightly downward tendency due to the approaching harvests and the arrivals of new wheat upon several markets.

CORN

The farm price of corn increased from 73.0 cents on May 15th to 88.9 cents on June 15th due to unfavorable weather and light receipts during the last half of May and the first part of June. During the latter half of June the price of #3 yellow cash corn has remained at around $0.98 - $1.00 at Chicago and advanced to $1.03 by July 8.

From conditions as of July 1 an unusually small crop of 2,274,000,000 bushels is indicated. This is lower even than the 1924 crop of 2,309,000,000 bushels and nearly 15 per cent below last year's crop. In the North Central States (Corn Belt) the July 1 condition was the lowest for the date on record, and the estimated acreage planted is 5 per cent smaller than the acreage harvested last year. The forecasted crop for the Corn Belt is about 1,536,000,000 bushels, which is about 14 per cent less than the 1926 crop. The indicated decrease, however, is almost entirely in the states east of the Mississippi, the forecast production in the states west of the Mississippi being less than 2 per cent below last year. In contrast with this situation the June Pig Survey showed an increase of 8 per cent in the spring pig crop in the states east of the Mississippi and a decrease of 1½ per cent in the states west. If no improvement from this forecast is made in the coming months, the 1927 corn crop will be the smallest harvested in nearly 15 years. The prospects for the crop are also for one of poor quality and low feeding value, especially in the states east of the Mississippi River.

In the past 25 years only 1924 with a condition of 72 on July 1 approached this season in the backwardness of the corn crop, and the

final yield was about 23 bushels per acre. In these years the relationship between low July 1 condition and final yield per acre has been closer than that between high July 1 condition and final yield. In 10 of the past 25 years the condition of corn on July 1 was less than the average for that period of 84, and in 8 of these 10 years the final yield was less than the average. In 5 of the 10 years the condition was less than 81 per cent, and the final yield was below average.

The prospect of low supplies should tend to maintain corn prices during the next few weeks, and, should the final outturn be as indicated by the July 1 condition, high corn prices during the season for marketing the new crop would be certain.

The nature of the price movement during the coming season can not now be anticipated. It may however be worth while noting the behaviour of corn prices during 1924-25, a year of a similar small crop. Prices at Chicago in that season averaged \$1.09 in July (compared with \$1.00 - \$1.03 during the first week of July this year) and reached the highest average of the season during January, \$1.24. Prices received by producers moved similarly from \$.81 in June (compared with \$.89 in June this year) to \$1.09 in October, and after a decline in November reached \$1.14 in February.

Factors which may prevent a similar price movement this year are the following: The demand for feeding hogs during the coming months is not likely to be as great as in 1924. Hog prices in that year began their rapid upward movement, while at the present time they are in the trough of the price cycle which began three years ago. Grain prices in general during 1924-25 made phenomenal advances due to foreign

shortages in bread grains, a situation not now in prospect, and the rising commodity price level which resulted largely from the advance in grains and livestock is not in prospect this fall and unless non-agricultural prices should this year supply a similar stimulus, the prospect of which is not now very definite. However, unless crop prospects change materially for the better, producers stand to realize an average price for this year's crop, a price somewhat higher than the present.

COTTON

The average price received by producers on June 15 was 14.8 cents compared with 13.9 cents on May 15, and 16.1 cents a year ago. Prices at the ten designated spot markets became firmer during the latter part of June, and averaged 16.10 cents for the month compared with 15.38 cents for May. This Bureau's estimate of acreage reduction from last year was 12.4 per cent which is somewhat greater than private estimates, most of which ranged from 10 to 11 per cent, and consequently the market showed some advance.

Although it is too early to make an estimate of boll weevil damage with any degree of accuracy, the market has been influenced by anticipated damage based on present indications. According to reports to the Weather Bureau, the weather on the whole was favorable to the crop during June and good progress was reported from most sections.

Exports have been very heavy and to July 8 were in excess of the total record exports reached in 1911-12 of about 10.7 million bales and 37.7 per cent greater than last season, for the same months. The rate of foreign consumption however has not been equal to the rate of the export movement, as shown by European port stocks, which are much above

normal. The reduction in European port stocks during June was only moderate, being 5 per cent for Great Britain, as compared with no reduction in 1926 and 15 per cent reduction for June, 1925. For the continent the reduction during June was 10 per cent, as compared with 15 per cent for the same month in 1926 and 17 per cent in 1925.

Although sales of cotton manufactures in Germany and Central Europe showed some decrease in May and early June and stocks in the hands of the trade increased, the prospects for well maintained activity in the near future were reported as favorable. Spinners were said to be booked up for 4 to 7 months ahead and consumer demand for cotton goods continued strong. Reports from Italy and France continue to indicate an unsatisfactory condition in the manufacturing industry.

Domestic demand for cotton manufactures continues active. For the first 10 months this season domestic consumption has exceeded by 9 per cent the consumption during the comparable months of last year. Sales of cotton textiles during May were 141 per cent of production and unfilled orders on June 1 were 20 per cent larger than on May 1, according to statistics from firms reporting to the Association of Cotton Textile Merchants of New York.

The movement of prices during the next few weeks will depend largely on weather reports, and estimates of damage from the boll weevil.

WOOL

The domestic wool market during the latter part of June was characterized by a gradual but steady increase in prices. At Boston prices of domestic wool advanced about one cent a pound for most grades during the

month. The average price received by producers on June 15 was 30.2 cents compared with 30.1 cents on May 15 and 30.4 cents on April 15. While the domestic market is firm, it has not shown the strength of the foreign markets. Prices at London are fully 3 - 7 per cent above those at the beginning of the year for most grades, but the domestic wool price level is about 2 - 3 per cent below that of January.

Total mill consumption of raw wool from January to May was about 16 per cent above the same period last year, the increase being in domestic wool. For the month of May consumption of raw wool was about equal to April but higher than for any May since 1923. Imports during May showed more than the usual decline from April being 8,203,000 pounds of combing and clothing wool compared with 17,493,000 pounds for April. Stocks of foreign wool held in bond in the Boston district on June 30 were 34,000,-000 pounds compared with 74,000,000 pounds on June 30, 1926.

The fourth series of the London Wool Sales opened on July 5 with the general tone very good, competition active, and the attendance of buyers large. Although the further course of prices at the foreign markets may affect domestic prices, no material change in domestic prices is likely during the next few weeks in view of the steadiness in the general commodity price level and the seasonally weak domestic business situation.

CATTLE

Prices on the better grades of nearly all kinds of cattle continued to advance during June with heavy steers at Chicago passing $14.00 for the first time this year. Poorer grades, which showed seasonal effects of grass diet, declined somewhat and the spread between the best and poorest grades of all kinds was the widest of the year, but the average price of all cattle was the highest for June since 1920. Heavy, finished steers continued at a premium, but the differentials in favor of weight among choice cattle of different weights tended to become smaller. Receipts at 7 markets were 17 per cent smaller than in June, 1926, and were 4 per cent below the 5-year average. Average weights on fed cattle continued small with the average weight of fed steers at Chicago in June probably the smallest on record. Available evidence continues to point to a moderate supply of all kinds of cattle during the next few months and a continuing strong market.

LAMBS

Lamb prices reached a seasonal peak of over $18.00 at Chicago early in June due to a temporary shortage of supplies. During the following weeks as supplies increased prices declined rapidly and at the low point the last week of the month were nearly $4.00 below the peak. Receipts at 7 leading markets during June were 6 per cent below June, 1926, but 13 per cent above the 5-year June average. During July and August lamb prices usually show considerable week to week fluctuations due to fluctuating weekly supplies since slaughter lambs make up the bulk of receipts. The same situation will probably prevail this year, but as no excessive seasonal supplies for these two months are in evidence, prices around the level of the first week in July are indicated.

HOGS

The hog market continued weak all during June, and during the third week of the month reached the lowest level of the year and also the lowest since July, 1924. For that week the average cost of packer and shipper droves at Chicago at $8.68 was $5.41 below the same week in June, 1926. The monthly average cost at Chicago in June was $8.76 compared to $14.01 in June, 1926 and $10.18 the 5-year June average. During the last week of the month the market tended to strengthen and it is generally felt that prices have touched the lowest point of the present crop year ending in November.

Receipts at 7 leading markets during June were 17 per cent above June, 1926, but 4 per cent below the 5-year June average receipts. The indicated inspected slaughter in June was over 20 per cent larger than in June last year. Large receipts of butcher hogs such as took place in May

and June will probably not continue much longer, and supplies of these kinds for the next 3 months will be comparatively small. Prices of these kinds may make more than the usual seasonal advance. Prospective supplies of poorly finished, grassy packing sows are fairly large and prices for these kinds may continue weak but with a seasonal advance from present levels.

BUTTER

The progress of the unusually favorable grass season up to the end of June has lowered butter prices nearly to those of the corresponding month of last year. From the abnormally high levels that prevailed during the past winter and early spring months butter prices have declined so that the June average of 42.5 cents on 92 score in New York was within a cent of last June whereas the April price of 50.3 was 11 cents higher than the previous April. On 88 score butter the New York price of 38 cents for June was eaxctly the same as a year ago and three cents lower than two years ago.

The dominant factor in the very marked seasonal decline in price is the condition of pastures which continued exceptionally favorable to date of latest reports on June 1. As to dairy feeds other than grass, the price ratio is now growing less favorable to butter production. The apparent trade output since the first of the year is slightly heavier than last year. No foreign supplies are in prospect at present price margins. On the whole, the butter market is dominated by the domestic supply situation and prospects influencing demand for storage stocks. The prices paid for butter for storage are probably not altogether free from the influence of prospective foreign supplies since butter prices are most subject

to foreign competition during the out-of-storage movement. Storage holdings in 26 cities amounted to 67,635,814 pounds on July 2, 1927, against 68,204,787 on July 3, 1926.

June receipts on four markets were somewhar lighter than a year ago, totalling 74,223,000 pounds and 74,630,000 pounds respectively. Owing to changing conditions governing distribution to consuming centers, however, receipts on certain principal markets in all probability do not now reflect closely the changes in total production of butter in the United States. While the receipts in June were only about equal to those of a year ago, various direct reports from producers agree in indicating increases of 5 to 10 per cent over a year ago. Such increases are also indicated by recent improvements in the favorable pasture conditions, as shown by the following percentages for selected states and for the country as a whole.

State	June	July	
	1927	1927	10-year average
Minnesota	90	98	85
Wisconsin	91	93	87
Ohio	94	95	85
United States	88	93	85

With the rather late cool grass season, the July output may be expected to continue with comparatively slight falling off. Under such conditions July prices may not even make the usual slight advance over June.

EGGS

A further decline in the farm price of eggs greater than usual for this time of year occurred again in June, but since the middle of the month prices advanced somewhat as a result of lighter receipts. On June 15, the average farm price of 17.8 cents was 9 cents lower than a year ago, compared with 5 cents lower during May. Prices received by producers during June were the lowest for any June for the past 12 years.

Market prices since the middle of June have advanced 2 cents by the first week of July, undoubtedly reflecting reduced production and receipts. At the primary markets receipts in June fell below those of a year ago for the first time during 1927. This has resulted in slower movement into storage so that stocks on July 1 were not as much in excess over last year's stocks as they were on June 1. Cold storage holdings on July 1 this year of 10,554,000 cases were 1,421,000 cases in excess of last year compared with an excess of 1,736,000 on June 1. The strengthening in market prices as a result of reduced production, lower receipts together with higher feed prices suggest that the seasonal upward trend in egg prices has begun, and if receipts continue to remain below those of last year, prices may reach last year's level before the end of the year.

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Bureau of Agricultural Economics
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THE PRICE SITUATION, AUGUST, 1927

FARM PRICES

The general level of farm prices on July 15 averaged 130 and equaled that of June, and was six points lower than in July, 1926. The general average was maintained by increases in cotton, corn, hogs, cattle and eggs offsetting decreases in prices of grains, hay, potatoes, lambs, butter and chickens. Since July 15, prices of grains, lambs and butter have continued weak, while cotton, corn, hogs, cattle and eggs have continued to advance, indicating that the general average of farm prices will be maintained during the next few weeks at approximately its present level.

The level of nonagricultural prices has remained unchanged and the recent gains made in the ratio of farm to nonagricultural prices have been maintained. Prices of building materials, chemicals and metals were lower during July than during June, while textile and fuel prices continued to advance. Toward the end of July metal prices advanced somewhat.

BUSINESS CONDITIONS

Business activity as a whole, as measured by bank debits during July, equaled that of June, as well as that of the corresponding month of a year ago. Lower volumes of business in agricultural regions were offset by somewhat better conditions in the eastern and far western states. This general situation is reflected also in retail trade, which was maintained at last year's level for the United States, but

showed losses in the agricultural Federal Reserve districts around Richmond, Virginia, Atlanta, Kansas City, Minneapolis, and Dallas, the greatest reductions being in the latter. On the other hand, mail order house sales and sales by 5 and 10 cent stores were 3 and 7 per cent respectively above last year's sales.

In basic industries production was curtailed more than usual during July in both pig iron and steel. Their rates of output were respectively 11 and 15 per cent below that of last year. The output of automobiles also remained well below that of last year. But building activity has been maintained at a very high level in both June and July due largely to a larger volume of heavy projects, such as road, bridge and other engineering construction, which appear to have more than offset a lower volume of ordinary building. Freight loadings in July did not show the usual seasonal increase, and were about 5 per cent below last year's level for merchandise and miscellaneous loadings, and nearly 20 per cent below other, which include the lower volume of coal traffic.

The seasonally weak activity in these major industries appears to have made the ample money supply still more easy. Interest rates in July were lower than a year ago, and several Federal Reserve Banks have lowered their rediscount rates. Prices of selected stocks have again reached a record high level during July. The lower interest rates should tend to check the seasonal decline in business. That this may take place is suggested by a somewhat firmer general price level, by a slight increase in loans by banks for commercial purposes during the first part of August and by regional reports that a larger

volume of freight cars will be needed during the third quarter of this year than a year ago, except in the Southwest and Pacific Northwest. A reduction of about 5 per cent is expected in iron and steel shipments.

WHEAT

Considering prospective supplies and present indications as to demand, it seems that the average price of all classes and grades of wheat in the United States may not go much below the present level this year and are likely to go higher after the heavy marketing seasons unless there should be a considerable decline in the general price level. In the case of winter wheat in the next months prices are likely to be maintained with an upward tendency while spring wheat prices may fall to somewhat lower levels on account of new wheat receipts. The average farm price of wheat, as of the middle of July, was $1.27 as compared with $1.30 in the middle of June. The market price continued to decline as expected from July to the middle of August. The average cash price of all classes and grades at five markets declined from $1.43 as of the middle of July to $1.34 the first week in August.

As the prospect for the new crop has become more definitely known, it has become more certain that the Northern Hemisphere supplies for this year will be but a little larger than last year. Since the Southern Hemisphere crop this season can hardly be as large as last,

it now appears more certain that the world supply for the year will be but little if any larger than it was a year ago. Prices in the United States started in July slightly above prices of July 1926 but have now fallen below last year's level. In Winnipeg and Liverpool, however, prices are still being held slightly above those

of a year ago. Last year the average price of all classes and grades of wheat in four primary markets reached a low point of $1.34 for the week ending August 19 and came back to this level in September and February not to fall below it until April after which there was a rise to the highest level in the season, the latter part of June. The weak points in last year's course of prices were caused by rapid increases in freight rates early in the season, heavier shipments than expected from Russia and large crops with heavy shipments from the Southern Hemisphere. It now seems probable that Russian exports will be no greater than last year if as large and that the Southern Hemisphere will not produce as much as last year. Other factors of course may cause fluctuations in the course of the market for the year but there is at present every reason to believe that prices will be maintained at least on the par with last year and equal to or above the present level.

The positions of the different classes of wheat in the United States, however, have shifted somewhat from last year. It appears that the hard red winter and the soft red winter wheat crops will be considerably below last year. The August revision of winter wheat indicates a reduction of 8 million bushels in the soft red winter wheat and 19 million bushels in the hard red winter. Soft red winter wheat is probably the smallest in recent years except in 1925 when the crop was so short of domestic requirements as to maintain prices of this wheat considerably above prices of other wheat in the United States. The average cash price of No. 2 red winter at St. Louis the first week of August was $1.37 compared with $1.35 last year and was

4 cents above No. 2 hard winter at Kansas City, whereas last year it was only 2 cents above. No. 2 hard winter wheat at Kansas City averaged $1.33 the same as last year. The indicated increase in production in durum and hard red spring wheat, however, is placing these wheats in a much weaker position than last year. The hard red spring wheat crop is estimated at approximately 180 million bushels compared with 122 million bushels last year and is larger than any of the past five years except in 1924. This will supply a considerable export surplus. The average cash prices of hard spring wheat the first week in August was $1.55 compared with $1.67 a year ago. As the new wheat goes on the market the prices will probably fall as they did last year from $1.67 the first week in August to $1.45 in the second week of September. Whether or not the decline this year will be great in shifting from the basis of old wheat to new wheat will depend very largely upon the Canadian crop developments. Durum wheat prices averaged $1.62 during the first week of August as compared with $1.63 last year and will probably continue to decline as the new crop becomes available. Last year the prices declined from $1.63 in the first week of August to $1.35 the second week of September.

CORN

Corn prices continued to advance during July and the first half of August due to the backwardness of the crop and the large decrease in the supply of corn stored at the central markets. The farm price of corn advanced from 88.9 cents on June 15 to 92.4 cents on July 15 and the price of No. 2 cash corn at Chicago advanced from

$1.06 on July 15 to $1.12 on August 8.

Indications are that the corn crop in the Cotton Belt States will be only 94% of last year's production, in spite of the increased acreage of nearly 4%. The crop, however, should be larger than the five-year average of production. The western part of the Corn Belt should have a crop somewhat larger than last year but production in the central and eastern parts of the Corn Belt will be way below last year and probably of poor quality. Production in the Middle Atlantic and New England States will also be slightly less than last year, while production in the Far Western States will likely be somewhat larger than last year and about equal to the five-year average.

There was some improvement in the demand for corn in the eastern markets during the last half of July which favorably affected the price of cash corn. Much of the corn of inferior quality which was in storage has been loaded out leaving the remainder of the corn in storage of very high quality.

The August estimate of production was 2,385,000,000 bushels, or 111,000,000 bushels larger than the July 1 estimate. According to present prospects this year's crop will be the smallest since 1903 except in 1924, when production was only 2,309,000,000 bushels. Crop conditions this year are very similar to those of 1924, the condition on August 1 for that year being 70% compared with 71.2% this year. In all probability the 1927 crop will be of no better quality than the 1924 crop and there is likely to be about the same carryover of old corn, but it is doubtful if the average seasonal price for the prospective 1927 crop would be as high as in 1924 because there is nearly

30% less hogs on farms in the corn belt this year and areas outside the corn belt have a larger crop than in 1924. The average price of No. 3 Yellow corn at Chicago was $1.16 from November, 1924, to May, 1925. Price of No. 3 Yellow corn at Chicago on August 9, 1927 was $1.10 compared with $1.16 on the same date in 1924. In that year prices advanced to $1.24 in September, declined to $1.04 in October, then advanced steadily to $1.25 on February 1, 1925. During March prices declined to $1.00 and then followed the usual seasonal trend until the new crop began to be a factor in determining price.

Although the condition of the crop improved during July, the crop in nearly one-third of the Corn Belt is so late that only the best of conditions and a very late frost will allow the crop to mature. The uncertainty of the crop maturing in several sections of the Corn Belt due to late planting will cause prices to be especially sensitive to weather conditions in the Corn Belt during the next two months.

COTTON

Prices at the ten designated spot markets averaged 17.34 cents for July as compared with 16.10 cents for June and 17.92 cents for July a year ago. The trend of prices from July 1 to July 25 was steadily upward, the price at the ten designated spot markets advancing from 16.42 to 18.29 cents per pound. From July 26 to August 8 favorable weather reports together with trade reports caused the price to decline to the July 1 level of 16.43 cents. The Government forecast of production on August 1 of 13,492,000 bales was lower than the trade expected, and the price of cotton advanced to 18.26 cents on August 9. The average price received by producers advanced from 14.8 cents on June 15 to 15.5 cents on July 15.

The outstanding factor in the crop situation this year is the boll weevil menace. The infestation is reported to be three times as heavy as last season and the greatest it has been since 1923,

according to the crop report of August 1. Infestation is heaviest in Georgia, Louisiana, Florida, South Carolina, Texas, Oklahoma, Mississippi and Arkansas in the order named. Conditions may be expected to improve or decline accordingly as the weather is favorable or unfavorable for boll weevil propagation during the remainder of the season.

The weather in the western part of the Cotton Belt during the first week of August has been clear and warm tending to lower the boll weevil damage. In the eastern half of the Cotton Belt, where local thunder-storms have prevailed with only moderate temperatures, weather conditions have favored the development of the boll weevil.

The market has been strengthened by the wide distribution of the old crop, by the high rate of mill consumption and spinners' takings, and by the increased apprehension of damage from the boll weevil. The total net exports of cotton from the United States for the year ending June 30 was 10,903,000 bales, which was 40 per cent larger than for the preceding twelve months. For the first time on record, exports to Germany were larger than to any other country. Consumption in the United States for the eleven months ending June 30 reached a level of 6,633,000 bales as compared with 5,994,000 for the same period last season. Stocks in consuming establishments on June 30 were 27.6 per cent above those of a year ago, while stocks in public storage and at compresses were less than a year ago. The production of standard cotton cloth during the first seven months of 1927 was 14 per cent greater than during the first seven months of 1926, and sales were 29.2 per cent greater. The unfilled orders on July 31 were 457,883,000 yards, which is 4.9 per cent less than for

June, but an increase of 83.2 per cent over July 1926. Apparently the output of the mills which have absorbed raw cotton in such large quantities has been distributed into consumptive channels at a good rate. Stocks of cotton textiles on June 30 were 39.6 per cent below a year ago.

The situation in the cotton industry over most of continental Europe has shown very little change during June and early July. The outlook for maintenance of mill activity in Germany and central Europe is still favorable as spinners are covered for four to six months and the movement of goods into consumption is satisfactory. In Austria and Czechoslovakia new export orders and spinning mill profits are becoming less satisfactory. Recent reports indicate some slight improvement in sales by the French cotton industry during June, but business is still described as very unsatisfactory. The Italian cotton industry is said to be making every effort to readjust itself to changes in the value of the lira, but reports indicate that it is still greatly handicapped by high cost of production and by excessive yarn and fabric stocks.

Fluctuations in cotton prices during the next month will depend largely upon weather. The present position of the market is strong.

Prices at New Orleans are now higher than prices which have prevailed in preceding years for supplies comparable with those now in prospect. The prospective total supply of about 21,000,000 bales in the past would have brought an average yearly price of about 17 cents at New Orleans. Should past supply-price relationships be maintained during the marketing season this year, and crop prospects re-

main unchanged, lower prices in the immediate future might be expected.

WOOL

Prices of domestic wool at Boston continued upward during July. The average price received by producers on July 15 was 30.7 cents compared with 30.2 cents on June 15. Prices at the close of the fourth series on July 21 at the London Wool Sales, as compared with the closing rates of the previous series, were unchanged to 5 per cent higher for merinos, 5 per cent higher for fine and medium crossbreds, and unchanged for coarse crossbreds. The sales closed with the market strong for all classes of wool and buying especially active from the Continent.

The position of the domestic wool market is stronger than for some time. Stocks in the United States are apparently low, and stocks in producing countries appear to be smaller than a year ago, when they were also at a low point. It is too early to make an estimate of the 1927 world clip, but a preliminary unofficial estimate for Australia places the reduction in the coming clip as a result of sheep losses through drought to be 10 per cent from last year, when Australia produced about a fourth of the world's total. Apparently this year the mills in the United States have pursued a hand-to-mouth policy, as imports have shown a considerable decline and stocks have been depleted, while consumption has proceeded at a good rate. If consumer demand for raw wool continues at the present level, a larger taking of raw wool may be expected, as stocks would have to be replenished. In view of the foregoing, and since business activity is likely to show some improvement this fall, wool prices will pro-

bably continue the recent upward tendency.

CATTLE

Prices for the best grades of fed cattle continued strong during July. Choice steers of lightweights advanced about $1.00 during the month, mediumweights about 60 cents and heavies remained comparatively steady. The advance on yearlings further narrowed the price spread between heavy and lightweight cattle. With the usual seasonal increase in the proportion of grass cattle coming on the market, prices for lower grade cattle declined somewhat during the month. The average price of all fed cattle at Chicago during July was $11.78, compared with $9.44 in July, 1926 and $11.28 in July, 1925.

The market supply of cattle continues less than last year and for the month was the smallest since 1921. Cattle receipts at seven markets during July were 23 per cent less than in July, 1926, and 21 per cent below the five-year average. Average weights of fed cattle have been much less than last year. During 1926 the market was generally over-supplied with long-fed steers, while this year fewer and lightweight cattle were fed, thus materially decreasing the total supply of grain-fed beef. Conditions indicate continued low supplies of the best grades of fed cattle during the remainder of the summer and fewer range cattle than were marketed last year, with the general average of cattle prices well maintained above the levels of recent years. Prospects for the cattle industry during the next year or 18 months appear decidedly favorable, but do not justify expansion in breeding herds at present.

HOGS

Following the low point reached the last week in June when average cost of packer and shipper purchases at Chicago reached $8.59, the lowest average since November, 1924, hog prices started their usual summer rise and by the end of July had advanced 14 and 19 per cent respectively on medium and light weights. With prices of heavy butchers and packing hogs making a less proportionate advance, the price spread between light and heavy hogs has widened and is expected to continue to widen as receipts show an increasing proportion of thin, grassy sows and a smaller proportion of finished hogs during the next two months.

Hog marketings continue to exceed those of the previous year, July receipts at twelve markets being 4.5 per cent larger than in July, 1926, with average weights about ten pounds lighter. With an increase of 8 per cent in pork and lard production, a decrease of 17 per cent in exports, and only 5.6 per cent increase in the movement into consumptive channels, there was a larger than usual accumulation of products in storage, the amount on hand on July 1 being 35 per cent larger than on July 1, 1926, and 8 per cent larger than the five-year average.

Most of the unfavorable aspects in the hog situation apparently have been discounted by the severe price decline during the first half year and the rise in prices now under way seems likely to continue on the better grades through August and most of September. While exports of pork and lard have shown a small increase recently, there is no evidence of any material improvement in the foreign demand. The corn-hog ratio is now unfavorable to hog feeding, and, if it becomes more unfavorable as a result of increasing probabilities of a short corn

crop, it is likely to force a large supply of light unfinished hogs on the market in the fall and thus cause a seasonal price decline greater than usual, probably reaching a level not much different from the low prices of mid-July.

LAMB

Prices of slaughter lambs declined around $4.00 from the high level attained near the middle of June, but remained comparatively steady during July with only a slight downward tendency in prices during the month. The price of medium to choice killing lambs, 84 pounds and down, averaged around $13.60 compared with $13.72 for July last year. Western lambs apparently sold at a slightly higher level with native lambs showing the greatest weakness as compared with July a year ago.

Receipts of lambs at seven markets totaled 786,000 for June, 743,000 for July, and 780,000 for July, 1926. In view of the large lamb crop in the native lamb states, increased supplies of native lambs may be expected during the next few months, and consequently weaker prices. With fewer western feeding lambs the situation appears generally favorable for lamb feeding in the Corn Belt and the early marketing areas of the West, since seasonally higher prices may be expected to set in by the end of the year.

BUTTER

Continued heavy supplies of butter due to prolonged favorable pasture conditions, and heavy stocks in storage produced a further decline in butter prices during July. Present indications suggest

that the usual seasonal advance in August may not take place. The average price on 92 score butter in New York in June was 42.5 cents, in July 41.7, and during the first week of August 40.5, at which level it equaled the average price during the first week of August a year ago. Thus, the margin over last year, amounting in April to 11 cents, has entirely disappeared.

The peak of the production was apparently reached early in July this year with comparatively slight falling off in supplies indicated to date. Receipts on the four principal markets from January 1 to August 3 were 368,355,000 pounds this year, representing an increase of some 2 per cent over the corresponding period of last year. Available reports on current production indicate a considerably greater increase than is shown by receipts at the major markets.

Stocks in cold storage, as well as receipts, are heavier than a year ago, the reported holdings for the entire United States amounting on August 1 to 145,146,000 pounds against 131,152,000 pounds on August 1, 1926, which was exceeded only by the holdings of 134,118,000 pounds on August 1, 1924, when conditions were similar to those of the present season.

The continued exceptionally favorable pasture conditions are indicated by the following percentages for the United States and for certain selected states. Since the reports represent percentages of "normal" for the particular month, the figures are comparable for the same month in different years but not directly as between the different months.

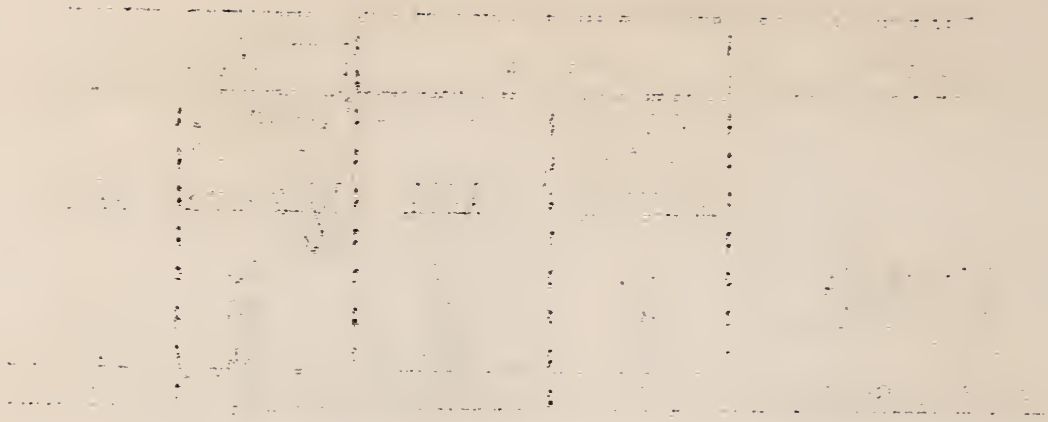
States	July 1		August 1	
	Average of last 10 years	1927	Average of last 10 years	1927
Minnesota	85	98	78	90
Wisconsin	87	93	78	86
Ohio	85	95	81	91
United States	85	93	79	87

EGGS

The farm price of eggs advanced from 17.8 cents for June 15 to 20.7 for July 15 due to lighter receipts. On May 15 the farm price was 5 cents lower than a year ago and on June 15 the spread increased to 9 cents, but due to the advance in prices during July the farm price was only 5 cents lower on July 15 than a year ago.

The market price of eggs during July advanced somewhat and receipts and storage movement were lighter. Receipts at the principal markets were 9 per cent less during July 1927 than July 1926, practically the same difference as shown between June 1927 and 1926. However, receipts since January 1 are still 9 per cent above last year's receipts for the same period due to the unusually heavy marketings during March, April and May.

The holdings of storage eggs on August 1 were 10,737,000 cases, a surplus of only 892,000 cases over August 1, 1926. The strengthening of the market due to lower receipts, and the higher prices of feeds, which tend to discourage production, continue to suggest the probability that farm prices may reach last year's level before the end of the year.



UNITED STATES DEPARTMENT OF AGRICULTURE
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THE PRICE SITUATION, SEPTEMBER, 1927

FARM PRICES

The index of farm prices on August 15 at 132 was two points higher than on July 15, one point lower than on August, 1926, and 20 points lower than August, 1925, when the index stood at its highest level since 1921. The two-point advance was due mainly to the considerably higher cotton, corn, hog and egg prices, their advances being only partly offset by lower grain, hay, apple, potato and lamb prices. Since the middle of August, grain prices have continued to decline while cotton and hog prices have advanced further. During the last quarter of the year the usual seasonal price movements have a net effect of lowering the general average of farm prices. In view of the prospective lower hog prices and possibility of lower cotton prices, it is likely that the general average of farm prices for the balance of the year will not exceed the present level.

The relative exchange value of farm prices for nonagricultural goods promises to remain at its present level of 88 per cent of their average prewar exchange value, unless nonagricultural prices should increase materially. During the past three months nonagricultural prices have advanced slightly as a result of higher textile and fuel prices more than offsetting lower prices of metals and building materials. The general average of all commodities has increased from 141.3 in April to 145.1 in August and 147.1 on September 6, according to the Annalist weekly price index (1913 = 100). Farm, food and textile products are largely responsible for this rise.

BUSINESS CONDITIONS

The general business situation during August was somewhat weaker than that of July. This is indicated by such items as a decline in bank debits to the level of a year ago, continued low production and lower prices in the pig iron and steel industries, restrained production in the automobile industry, a volume of freight loadings still below last year's loadings, a drop in the value of building contracts below that of August, 1926, the decline occurring in both residential and engineering construction, and a lower demand for commercial credit resulting in lower commercial interest rates, as well as a general reduction in Federal Reserve rediscount rates. The items which show continued improvement are considerable increases in mail order house sales, a 3 per cent increase in retail trade, new record peaks in stock market prices, in spite of a mid-month break, and a continued rise in the general price level. The low interest rates continues to suggest an improvement in the general business situation during the next few months and so would ordinarily a rising commodity price level. The latter, however, is largely the result of the rise in cotton and hog prices, neither of which forecast increased industrial activity in their respective lines. Particularly for the textile industry the higher cotton prices mean that the small cotton crop in prospect will not support as high a rate of mill activity during the next six months as occurred during the first half of this year. The high stock market prices, which ordinarily are accompanied by improvement in general business, appear to be making new record in spite of lower profit margins during 1927 than during 1926, and is therefore not sufficient evidence of a prospective advance in business. If the latter does take place, during

the last four months of this year, it will probably be brought about by commercial credit available at low interest rates. The outstanding significance of such an advance in general business activity would be in mitigating the prospective reactions in cotton and hog prices from the recent rapid advance.

COTTON

Cotton prices continued to advance during August, due to increased boll weevil infestation and unfavorable weather for maturing the crop. The average price at ten designated markets in August was 19.16¢ as compared with 17.34¢ for July this year and 17.65¢ for August, 1926. The prices received by producers on August 15 was 17.1¢, an increase of 1.6¢ over the price a month ago. During the first week in September cotton prices remained fairly steady, but the estimate of production given by the Department of Agriculture on September 8th was somewhat less than the trade expected, and caused prices to advance materially, but later reacted due to unfavorable trade reports from Liverpool and more favorable weather in the cotton belt since the first of the month.

The wide fluctuations and the higher prices of raw material at the present time are causing both spinners and buyers of cotton manufactured goods to be rather cautious in their buying. The movement to mills has continued at a good rate, world spinners' takings from August 1 to August 26 being about 36% greater than for the corresponding period a year ago. Reports received from mills by the Association of Cotton Textile Merchants of New York show the ratio of sales to production in July to be 94% as compared with 149% during July, 1926. Stocks on hand on July 31, however, were less than a year ago being 178 million yards

against 288 million on July 31, 1926.

Total mill consumption of cotton of all growths for the past season reached a high record of 25,880,000 bales compared with 24,681,000 bales for the 1925-26 season. The world mill consumption of American cotton for the year ending July 31, 1927 was 15,777,000 bales as compared with 13,730,000 bales for the year ending July 31, 1926. In spite of a record world consumption and the large out-of-sight movement, stocks are still heavy. World mill stocks of cotton of all growths on July 31, 1927 were 5,341,000 bales compared with 4,498,000 on July 31, 1926, and 4,267,000 bales on July 31, 1925. The visible supply on July 29 was 4,989,000 bales as compared with 3,686,000 the same time a year ago, and 2,343,000 two years ago. The world carryover of American cotton on August 1, 1927 was about 7,800,000 bales of lint cotton compared with 5,600,000 bales on August 1, 1926.

The consumption and movement of cotton on the European Continent were heavy during the second half of July and the first half of August. There was a continuation, however, of the tendency to slow up in Central Europe. In Germany and Central Europe high mill activity has been maintained, but new orders are coming in slower, unfilled orders have further decreased and stocks have been increasing. The outlook for continued activity however, in the near future is favorable. Depression continues in the American section at Lancashire. There has been little improvement in France and Italy.

Crop conditions in the United States on September 1 indicate a production of only 12,692,000 bales, a decline of 800,000 bales during August. Declines occurred in all States except New Mexico, Arizona and California, the principal decline being registered in Oklahoma. In all important cotton States the weevil is the dominating factor in the

situation. Propagation of this pest has been accelerated by wet weather over much of the belt. Infestation increased materially in all infested areas, and the area where weevils were prevalent extended northward materially during the month of August. The extent of infestation has quite generally checked fruiting and the probability of any important top crop is small over large areas.

As the size of the crop is becoming more definitely established, the market should become more stable, and the tone in the yarn and finished goods market should be more settled. Due to the fact that the prospects of a top crop are very small, cotton will be ginned unusually early this year. As was indicated in last month's report, should the present estimate of production be realized, and past relationships between supply and price prevail, it is likely that prices will decline in the next few months.

WOOL

Prices of domestic wool at Boston showed little change during August. The average price received by producers on August 15 was 31.2 cents compared with 30.7 cents on July 15.

The domestic market is quiet but strong. Consumption of clothing and combing wool in the United States by mills reporting, continued at a good rate in June, being slightly higher than for May and higher than for any June since 1923. Stocks of wool held by reporting dealers and manufacturers on June 30 were below those normally held at this date.

Foreign prices were somewhat strengthened by the sales at Sydney which opened August 29 with rates 5 to 10% above June. The market for tops and yarns at Bradford early in September was firm, and English wool

was selling freely. Preliminary estimates of wool production for 1927 indicate increases over 1926 for the United States, New Zealand, and the United Kingdom; but the 15% decrease for Australia more than offsets these increases, making a total decline for the above mentioned countries of 7% from last year.

Stocks of wool in three principal exporting countries, Australia, Argentina, and the Union of South Africa, are lower than a year ago. In Argentina stocks at the Central Produce Market in Buenos Aires on June 30 were 2,491,000 pounds while stocks a year ago were 5,313,000 pounds. Stocks of wool in Australia at the close of the 1926-27 season on June 30, numbered 25,400 bales as compared with 33,419 bales a year ago and 505,964 bales two years ago. In the Union of South Africa, stocks of wool at Port Elizabeth on June 30, 1927, were estimated at only 964,240 pounds compared with 3,394,220 pounds at the same date last year. While no figures are available for other exporting countries, the clips have been reported as clearing easily.

In view of the strength of demand at home and abroad, the indicated reduction in the Australian clip and the light stocks of raw wool throughout the world at the beginning of this season, it is likely that wool prices will remain steady or advance slightly during the next few months.

CORN

Corn prices continued to advance during the first half of August due to cool weather in the corn belt and the farm price on August 15th was 97.7 cents as compared with 92.4 a month earlier. Prices remained fairly steady through the middle of August, but declined somewhat the

last week of August and the first week in September because of more favorable weather for ripening the crop in the corn belt and reports which indicate that an unusually large crop of corn is practically assured in Nebraska, Kansas, Oklahoma and Texas.

Receipts of corn at the primary markets during August were larger than for July and larger than for August a year ago. The prospects of a larger crop in the South and Southwest has caused larger offerings of old corn from Texas and Oklahoma and tended to lower cash prices.

Although the estimated crop of 2,456,561,000 bushels for September 1 is 71,000,000 bushels larger than for August 1, the corn crop for the country as a whole did not make average progress during August. Considerable improvement in crop prospects occurred in the Southern and Western States, but this improvement is largely offset by the poor progress made by the crop in the Northern and Eastern States. In this area the wide variation in planting dates and the subsequent irregularity in growth leaves the condition of the crop so varied that the crop ranges all the way from the tasseling out period to corn that is already out of danger of frost. Due to this condition of the crop, the amount of corn that will mature depends entirely upon the date of killing frosts. Should weather similar to that which prevailed the first week of September continue throughout the month, it is possible that a crop almost equal to the 1926 crop will be harvested.

A comparison between the September 1 estimate of production and the 1926 crop in the North Central States east of the Mississippi river, shows a decrease of 278,000,000 bushels, or 37 per cent. An increase of about 13 per cent, or 133,000,000 bushels, is indicated in the West

Central States and the production in the Southern States will almost equal the large crop of last year. Production in the far Western States is nearly 50 per cent greater than last year.

As both supplies of corn and the quality of the crop are important factors in determining the price which will prevail for corn during the coming year, and these two factors depend largely upon the dates of the first killing frost, future price trends are very uncertain. However, should the present estimated production of corn be obtained and the crop be of average quality, past relationships indicate that the price of corn during the winter months is likely to be equal to, or slightly below, prices prevailing at the present time.

FLAX

The rise in the farm price of flaxseed from $1.98 on July 15 to $2.04 on August 15 was due largely to the cool weather reports in North Dakota and Canada. Since August 15 the price of flax at Minneapolis has declined from $2.31 to $2.19½ on September 6th, largely because of favorable crop developments in this country and Canada together with early marketings of new crop seed and an official report of increased flax acreage in Argentina. Flaxseed prices usually decline from August to October or November and then advance steadily during the winter and spring months. The seasonal trend of prices during the fall months is determined somewhat by conditions for the growing crop in Argentina and India.

The world production of flaxseed in 1926 was 140 million bushels as compared with 158 million bushels in 1925 and 133 million bushels in 1924. The production of flaxseed in the United States, Canada and Argen-

tina is the principal factor in determining prices of flax in the United States. The total production in these countries during the 1925-26 season was 99,553,000 bushels. The crop in Argentina for the 1926-27 crop year was only 69,091,000 bushels, as compared with 75,113,000 bushels last year, but the estimated production in the United States on September 1 was 5,300,000 bushels larger than last year's crop and the estimate for Canada is only 790,000 bushels less than last year, so that the total production in the western Hemisphere will be almost equal to last year's record crop.

Demand for flaxseed from this season's crop may be nearly as great as for the 1926 production, judging from the utilization of flaxseed products during the first three-quarters of the 1926-27 season. The reduction in the 1926 harvest has been fully offset by increased imports and no material slackening in inquiries is indicated by current statistics. Stocks of linseed oil on July 1 this year were unusually large, but about the same amount of oil moved into consuming channels during the nine months ended June 30 as for the same period last year, suggesting that crushings for the 12 months may nearly equal last season's total of approximately 40,000,000 bushels. The output of linseed meal has been readily absorbed and prices of this commodity are higher than a year ago.

Crushers have been active buyers of the new crop seed, the quality of most of which is good. Given favorable weather the pressure of the new crop movement will probably cause the usual seasonal decline, particularly since there is considerable seed still available in Argentina from which 200,000 to 300,000 bushels are being shipped weekly to the United States. Prices for the next few weeks, however, will doubtless be affected somewhat by weather conditions both in Argentina and India.

WHEAT

The world crop prospects for wheat have improved somewhat over last month. The forecast of the Canadian crop has been increased to 459 million bushels as compared with 410 million bushels last year. It still seems possible, however, that the world crop will not be very different from last year. The increases in the United States and Canada raise the total of 29 countries reporting to date to 2,829 million bushels as compared with 2,681 million bushels last year. This increase of 148 million bushels probably will be partially offset by reductions in the Southern Hemisphere and in exports from Russia.

The course of prices in the next few weeks will be determined largely by conditions in Canada. Should the season continue favorable until the crop is harvested, prices may continue near to or slightly below the present level. On the other hand, unfavorable conditions for completing the harvest might cause a rise somewhat similar to the rise that took place in the corresponding period last year.

The average farm price of wheat in the United States for August was $1.24 as compared with $1.27 in July and $1.25 for August last year. The average price of all classes and grades at five markets has declined since the middle of August from an average of $1.39 for the week ending August 12 to $1.34 for the week ending September 2, which is the same price as for the corresponding week last year. Soft red winter wheat after having risen to $1.46 in the week ending August 26 declined to $1.43, the same as for the middle of August. No. 2 hard winter at Kansas City rose rather sharply from the first to the middle of August and then declined with the seasonal decline in the price of spring wheat. Spring wheat prices continue slightly below last year, while No. 2 red winter at St. Louis remains above. World market prices as measured by Liverpool and Winnipeg quotations continue above last year, September futures at the beginning of the month being $1.58 in Liverpool compared with $1.55 last year, and $1.42 in Winnipeg compared with $1.31 last year. The prices in these markets also declined from the middle of August to the beginning of September.

CATTLE

During August a strong undertone prevailed in the fed cattle market. While good and choice grades of heavy steers remained comparatively steady, choice grade steers of medium and lightweights advanced approximately 50 cents during the month. Further gains were made the first week in September. Best medium and lightweights topped at $15.25, reaching a new top price for the year and practically eliminating the wide price spread in favor of heavy steers which has characterized the past six months. Despite the usual seasonal increase in market supplies of grass cattle, prices of stocker and feeder cattle and most slaughter steers advanced during the month, common being the only grade showing any marked seasonal decline. As compared with last year cattle prices for the month were on a much higher level. The average price of native steers at Chicago for August was $12.02 against $11.78 for July this year and $9.30 for August, 1926.

The market supply of cattle was only slightly short of that of last year. Receipts at seven markets during August totaled 963,911 head or 2 per cent less than in August last year and 4 per cent below the 5-year average. With the present favorable pasture and range conditions in most sections the general feeling is that many grass cattle are being held back for additional weight which will increase the market supply of such cattle at the end of the grazing season. But if the total marketings of range cattle as estimated should be 16 per cent less than last year, the present price level of grass cattle may be well maintained with less than the usual seasonal decline in the late fall.

Apparently the demand for feeder cattle improved somewhat during August. Whereas in July only half as many stocker and feeder cattle moved

to the country as in July last year, the movement in August from twelve markets into seven feeding states totaled 135,808 head against 156,111 for the same month a year ago.

LAMBS

Lamb prices showed a slight downward trend during August. Good and choice slaughter lambs, weighing 84 pounds and down, averaged $13.49 during the month, this being approximately 60 cents below last July and equally below August of last year. Prices strengthened somewhat near the middle of the month but by the end were at the lowest level since last February. These short up-and-down swings in lamb prices are quite usual apparently being governed by trade conditions in eastern lamb consuming centers. Very little improvment in lamb prices may be expected during September and early October because of the relatively large native lamb crop, but with a relatively small lamb crop in the West and less lamb feeding in the Corn Belt prices may be expected to improve materially in the late fall and winter.

Receipts of sheep and lambs at seven principal markets during August totalled 1,110,209 head being 6 per cent less than in August last year, but 10 per cent greater than the 5-year average. The favorable feed conditions in the Northwestern range areas and the tendency to hold lambs on grass has increased the average weight of feeder and slaughter lambs. The movement of feeder lambs as reflected by shipments from twelve markets into seven feeding states has been considerably less than last year. In August the movement was 221,429 as compared with 313,011 during August, 1926. The movement in July and August was 27 per cent less than a year ago. In view of the probable increased feeding in the West where many of the lambs go direct to feedlots, the feeder movement from the market may not

be a reliable measure of the supply of fed lambs to come to market after the first of the year.

HOGS

Following the low point reached in hog prices early in July, the average cost of packer and shipper purchases at Chicago advanced to $9.32 for the last week in July. By the middle of August approximately half of this advance had been lost, the decline being general in all weights. By the end of the month the decline, however, had been more than gained back as the average price paid by packers and shippers reached $9.40. Most of the rise was confined to medium and heavy weight hogs. Light hogs made only a slight gain and were not back to the level of the beginning of the month. The average prices at Chicago for the week ending September 3, were $9.96 for heavy weights, $10.54 for medium weights, $10.39 for lightweights and $9.77 for light lights, all grading from medium to choice.

With present prospects of a small corn crop and the unfavorable corn hog ratio the supply of light hogs is likely to become more plentiful and well finished hogs will have a tendency to sell at top prices. Prices during the next few months will undoubtedly follow the usual seasonal decline as soon as the marketing of the spring pig crop is begun. Receipts will be larger than last year because of the increase in production last spring and early marketing, which usually accompanies an unfavorable corn hog ratio.

The market supply of hogs continues to exceed that of last year. Receipts at seven markets during August totalled 1,712,140 head, this being 100,000 more than was received a year ago. Weights, however, were

somewhat less, thus balancing some of the increase in numbers. Exports of pork during August were around 13,000,000 pounds as compared with 23,000,000 pounds during the corresponding month a year ago. Lard exports totalled 37,000,000 pounds against 41,000,000 pounds a year ago. Exports have shown a small increase over July, but there is nothing in sight to indicate any material improvement in foreign demand.

BUTTER

Butter prices reached the low point for the 1927 season during the first part of August and the price of 92 score butter at New York advanced from 40½ cents on August 8 to 44½ cents on September 8. The farm price of butter on August 15 remained unchanged from July 15 at 40.3 cents while the farm price of butterfat declined from 40.3 to 39.4 cents from July to August. Both foreign and domestic butter prices were higher on September 8, 1927 than a year ago. The New York price for 92 score was 44½ cents as compared with 43 cents, Danish 40.77 cents compared with 38.02 cents, and New Zealand 38.67 cents in comparison with 34.55 a year ago.

Although cold storage holdings were unusually large on August 1, and increased during the month to a higher level than ever before, prices made slightly more than the usual seasonal increase during the latter part of August and the first week in September. The stocks of butter in cold storage on September 1 amounted to 163,037,000 pounds as compared with 138,151,000 pounds on September 1, 1926 and 156,440,000 pounds on September 1, 1924 the previous high record of cold storage stocks. The recent advance in butter prices is largely accounted for by the rapid decline in pasture conditions during August, the marked decline in receipts dur-

ing the latter part of August and the first part of September, and the fact that more than the usual seasonal decrease in production is expected during the winter months. The total receipts of butter at the five principal markets during August was somewhat larger than for August a year ago, but by the latter part of the month receipts had fallen to a lower level than at the same time last year. The decline in receipts was due largely to the decline in pasture conditions in the heavy dairy producing states. Pasture conditions in Michigan on September 1 were only 49 per cent of normal for that date compared with a ten year average of 75. Conditions in Wisconsin were only 61 compared with an average of 76 and in Iowa only 74 compared with 82. In Minnesota conditions equaled the ten year average and in Ohio were nearly 10 per cent above average.

The price of feeds in the dairy section will probably be somewhat higher this winter than they were last year which will tend to decrease production. Although the hay crop is one of the largest ever harvested, the supply of other home grown feeds will be considerably below that of last year. Due to the lateness of the corn crop a shortage of silage corn may occur in some of the northern dairy sections. The amount of corn for feed will be considerably smaller than last year and oats production in the dairy states is also below a year ago. Prices of manufactured feeds at present are also well above prices which prevailed a year ago, and are likely to continue so through the winter months.

EGGS

Egg prices advanced materially during August, the price of mixed colored extras at New York advancing from 30 to 37 cents and Pacific

Coast whites from 37 to $49\frac{1}{2}$ cents during the month. The farm price on August 15 was 23.4 cents as compared with 20.7 cents on July 15 and 26.4 cents on August 15, 1926.

Receipts at the five principal markets during August were only 938,713 cases, while in August 1926 receipts were 1,025,061 cases. Storage holdings on September 1 were 9,652,000 cases, while storage holdings at the same date lastyear were 9,573,000 cases.

Demand for eggs continues good. A shortage of supplies at some markets has turned a few buyers to the use of storage eggs, which tends to reduce the demand for fresh eggs, but at the same time gives the storage situation a firmer tone. As receipts are likely to continue lower than last year and cold storage holdings are only slightly larger than a year ago, egg prices are likely to have more than the seasonal rise during the next few months and will probably reach or exceed last year's level by the end of the year.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

Released October 15, 1927

THE PRICE SITUATION, OCTOBER, 1927

FARM PRICES

The advance of the average of farm prices between August and September was the greatest in any of the past 18 years. On September 15 the index reached 140 per cent of the pre-war average which was 8 points higher than on August 15 this year and 6 points higher than in September, 1926. The unusual rise between August and September this year was due chiefly to an unusual rise in cotton prices by the middle of September, and to advances in hogs, cattle, butter and eggs, which more than offset the lower prices in most of the other products included in the index. The 5.4 cent rise in cotton prices from 17.1 cents to 22.5 cents was the largest increase between August and September during the past eighteen years, and at 22.5 cents the farm price on September 15 was higher than middling quotations at any of the spot markets, also a very unusual situation.

At the wholesale markets the commodity price level has been advancing since the end of April, largely as a result of higher agricultural prices. In August, the Bureau of Labor Statistics Index of Commodity prices averaged 149 compared with 147 in July and 152 a year ago. Since April agricultural prices have advanced 5 points to 147, while nonagricultural prices remained at 151. According to the Annalist wholesale prices have continued to advance. On October 4 that weekly index of all commodity prices stood at 148.8 (1913 = 100) compared with 145.2 on August 16. The present level is approximately one point higher than a year ago. On October 4 prices of textile products, fuels and metals were lower than a month earlier.

BUSINESS CONDITIONS

During September business conditions were not materially different from the situation in August. Among the production industries steel output has not improved and steel prices continued to weaken; pig iron production, which usually increases during September, this year declined nearly 3 per cent; automobile production during September, with decreased sales and reduction in employment, probably did not improve over the August output. These major industries are each operating below last year's level. This situation is further reflected in the volume of goods distributed by the railroads. Car loadings continue to be less than that of last year. Building activity as evidenced by the value of contracts awarded during September was about 6 per cent below both that of August this year and of September a year ago.

The money volume of retail trade during September equaled that of a year ago, but there were decreases in the agricultural districts and increases in the Boston, New York, Atlanta and San Francisco areas. Mail order houses and five and ten cent store sales showed considerable increases over September last year. The money volume of all activities, production, distribution and consumption, as shown by bank debits also exceeded last year's volume, but the improvement was largely in the industrial rather than in the agricultural sections.

Loans by banks for commercial purposes by the end of September were only one per cent higher than a year ago, while loans on stocks and bonds as well as investments by banks were 6 per cent higher. The greater increase in credit for speculative purposes is reflected in the continued advance in industrial stock prices, with no marked improvements in business. A new peak was reached by the middle of September and a moderate decline

during the third week was followed by a recovery by the first week in October to the mid-September peak.

WHEAT

The wheat situation has not changed materially in the past month. The course of prices in the next few weeks may be affected to some extent by reports as to conditions of the crops in Argentina and Australia, which are approaching the harvest season. Reports from 33 countries which in 1926 produced about 95 per cent of the wheat production of the Northern Hemisphere, exclusive of Russia, indicate a crop of 189 million bushels greater than last year, an increase of nearly 8 per cent. This increase, however, is partly offset by a smaller crop in Russia and prospects for a smaller crop in Australia. Reports as to procurings in Russia indicate that wheat supplies are relatively scarce. Russian exports may, therefore, be reduced from the 50 million bushels exported last year to a smaller figure for this year. Considering reports to date it is possible that the supplies from Russia and the Southern Hemisphere will be about 100 million bushels less than last year.

The average farm prices of wheat in the United States for September was $1.19, compared with $1.24 in August and $1.18 for September last year. The average price of all classes and grades at five markets declined from $1.30 the week ending September 16 to $1.28 the week ending September 23, but recovered and averaged $1.30 for the first week of October. The prices of all wheats except No. 2 Red Winter are below the prices of the corresponding week of last year. In the first week of October No. 2 Hard Winter at Kansas City averaged five cents below, No. 1 Dark Northern Spring and No. 2 Amber Durum at Minneapolis were 20 cents below the average for the corresponding week last year. Higher prices for No. 2 Red Winter reflect

a relative shortage of this class of wheat, while the decline in the Spring wheats reflects the increase in the spring wheat crops and the prospect of strong competition from a larger Canadian crop.

CORN

The unusually warm weather through the first half of September materially improved the condition of the corn crop. This improvement in prospects for the crop and the high prices reached in August brought out more old corn. Owing to the improvement in the crop and heavier marketings of old corn, the prices of No. 3 corn in Chicago declined steadily from $1.09 on August 29 to $.92 on September 16. Since September 16 the price of corn has fluctuated with reports of frost and decreasing receipts, prices averaging 95 cents for the first week in October. The farm price of corn for September 15 was 95.3 cents as compared with 97.7 cents a month earlier and 76.2 cents a year ago.

The October 1 estimate of corn production was 2,603 million bushels as compared with an estimate of 2,457 million bushels on September 1 and a final estimate of 2,647 million bushels for 1926. Although the estimated crop for 1927 is only 44 million bushels less than the crop of 1926, it is still 163 million bushels smaller than the average crop for the past five years. The total supply of corn for the 1927-28 season will be materially less than last year because of the unusually large carryover of old corn in 1926. The heavy marketings of old corn in September have probably reduced farm supplies below those of last year.

The demand for corn for feed may not be materially different from last year. Although there are slightly more hogs to be fed this year than last, the lower price of hogs and higher priced corn will undoubtedly affect

to some extent the weights to which hogs will be fed. Should the corn-hog ratio during the winter months be favorable to corn it is doubtful if any more corn will be fed to hogs than last year. Conditions about October 1st indicate that cattle feeding this coming winter in both the corn belt and western states will be considerably less than last winter due to the falling off in available supplies of feeder cattle and the resulting higher prices of such cattle.

The October increase in the estimated production occurred almost entirely in the corn belt states, especially Minnesota, Iowa and Illinois, which accounts for nearly two-thirds of the increase. Indications now are that the crop in the corn belt this year will be larger than last, with the increased production in the western part of the belt more than offsetting the decrease east of the Mississippi River. On September 1 it was doubtful if over 50 per cent of the crop in the corn belt would mature before frost but up to October 12 frost had occurred only in small areas and reports to that date indicate that about 85 per cent of the corn in southeastern South Dakota and Nebraska was beyond danger of frost. In Iowa about 80 per cent of the crop was safe, in Illinois and Indiana about 65 per cent, and in Ohio about 75 per cent. The quality of the crop will depend largely upon weather conditions from now until husking time.

The normal seasonal trend of corn prices is downward from October through December or January, because of increasing receipts of new corn, and then gradually upward from January or February to August. This trend during the next two months will be affected somewhat by weather conditions until husking is completed and by the size of the visible supply available at the primary markets. The visible supply as reported by the Chicago Board of Trade on October 1 was 23,687,000 bushels as compared with 17,381,000 bushels on October 1 last year and is the largest visible supply ever re-

corded on that date. The average visible supply for the past 17 years has been 6,365,000 bushels.

OATS

Oat prices since August 1 have followed the usual seasonal trend for years of small production, No. 3 white oats at Chicago having advanced from an average price of 45 cents the first week in August to an average of 51 cents the first week in October. The farm price of oats on September 15 was 8 cents per bushel higher than on the corresponding date of last year, being 43.9 cents per bushel as compared with 35.6 cents on September 15, 1926.

The higher price of oats this fall is due to smaller supplies and higher corn prices. The October 1 estimate of oat production was 1,206 million bushels as compared with the final estimate of 1,250 million bushels last year and a five-year average of 1,352 million bushels. The stocks of oats remaining on farms August 1 was only 61 million bushels in comparison with 108 million bushels last year, and a five year average of 82 million bushels.

A comparison of price trends for other years of small crops since 1920 may give some indication of the probable trend of prices this year. The accompanying chart shows the trend of oat prices through the marketing season for the years 1921, 1922, 1923 and 1926 when the crops were below the ten-year average of 1,366 million bushels. The prices have been adjusted to the present price level to facilitate comparisons.

The chart shows that in each of these years oats prices have advanced from October to May. In three of the four years this rise in price has occurred in spite of unusually large corn crops.

COTTON

The average price of Middling spot cotton as quoted in ten important spot markets on October 10, was 20.22¢ per pound, compared with 22.05¢ per pound on September 10, and 12.66¢ per pound on the corresponding day (Oct. 11) one year ago. This price is 2.88¢ per pound below the high point thus far attained this season, which was 23.10¢ on September 8. This point was reached after an almost continuous advance from the low price of last season, which was 11.40¢ on December 3, 1926. Beginning, however, on September 9, prices declined, reaching on September 19, 19.98¢, which was .24¢ less than the price on October 10. Prices received by producers averaged 22.5¢ on September 15 or 5.4¢ greater than on August 15, 1927, and 5.7¢ greater than on September 15, 1926. The advance of 5.4¢ was the largest advance of September over August on record (records begin with 1910).

Indications on October 1, as reported by the United States Crop Reporting Board were for a crop of 12,678,000 bales (500-lb. gross weight). The final ginnings, as reported by the Bureau of the Census for the 1926 crop were 17,977,374 equivalent 500-lb. bales, (17,755,070 running bales), and of the 1925 crop 16,103,679 equivalent 500-lb. bales (16,122,516 running bales).

Reports continue to indicate the earliness of the crop. Ginnings prior to October 1, as reported to the Census Bureau, were 5,945,167 running bales, which would seem to represent about 47 per cent of the total estimated crop of this season. Ginnings to October 1, 1926, were 31.4 per cent of the actual 1926 crop, to October 1, 1925, 44.2 per cent of the 1925 crop and to October 1, 1924, 33.2 per cent of the 1924 crop. Ginnings in the period October 1 to October 18 were 3,084,570 bales in 1926, 2,392,698 bales in

1925 and 3,088,313 bales in 1924.

Reports from the International Institute of Agriculture and other official sources indicate that the cotton acreage in Egypt, Russia, India (incomplete), Chosen and Anglo-Egyptian Sudan is slightly above that of last year, but about 11 per cent below that of two years ago.

According to the "Commercial and Financial Chronicle", the total world's visible supply of all cotton on September 30 was about one million bales above September 30, 1926, and about 1,500,000 bales above September 30, 1925. Mill stocks in the United States on August 31 were 1,122,000 bales, compared with 917,000 bales a year ago, according to the Bureau of the Census. Domestic consumption for August as well as world spinners' takings for August and September were above last year although the price of raw cotton is much higher. Consumption by mills in the United States for August was 633,000 bales against 501,000 for August a year ago, according to the Bureau of the Census reports. The ratio of mill sales of finished goods to production during August was 104 per cent, compared with 94 per cent in July and 142 per cent in August, 1926, according to reports received by the Association of Cotton Textile Merchants of New York. World spinners' takings of American cotton for the first two months of this season were above the corresponding period last season, according to figures of "The Commercial and Financial Chronicle".

According to reports received from the Acting Agricultural Commissioner at Berlin, conditions on the European Continent during August and early September were generally good, as shown by the revival of incoming orders in Germany, signs of improvement in the position of the Italian

industry and encouragement to the Alsatian section of the French cotton industry as a result of the Franco-German treaty. Continental cotton spinning and weaving mills generally have also been able to maintain activity in a satisfactory way and the movement and consumption of cotton has been correspondingly strong. Mills in Central Europe have unfilled orders varying from six weeks to three or four months ahead and may reasonably expect some seasonal improvement in sales this fall and early winter. Developments thereafter will depend largely on the tendency of raw cotton prices and general economic conditions, especially in Germany.

The situation in the United Kingdom remains unsatisfactory. The Cotton Yarn Association and the Federation of Spinners are endeavoring to reach an agreement on curtailment of production and a new minimum price scheme for yarn.

Exports of American cotton from August 1 to October 7, including exports to Canada to August 31, amounted to about 1,274,000 bales, compared with 1,456,000 bales for the corresponding period last season according to the reports of the Commercial and Financial Chronicle.

WOOL

The situation in the wool market is much the same as last month. A strong tone continues in the domestic market, consumption by reporting mills in the United States still proceeds at a good rate, and prices in foreign markets have shown a further rising tendency. Prices of both domestic and foreign wool in the United States advanced during September. The price received by producers of 31.2 cents on September 15 was the same as on August 15 and was 1.4 cents lower than on September 15, 1926.

Imports of combing and clothing wool in August were 5,873,000 pounds against 3,993,000 for August, 1926. Consumption of wool (grease basis, carpet excluded) by reporting mills was 36,000,000 pounds, compared with 31,000,000 for August, 1926 and 32,000,000 for August, 1925.

The fifth series of the London Sales closed on September 29 with prices generally about 5 per cent above the closing rates of the previous series. Competition was keen and well maintained and very little wool was withheld from sale. In Australia the sales early in October were characterized by firm prices, keen competition and good clearances. On the basis of cables of October 7 prices of tops and yarn at Bradford were firm, but orders for yarn were insufficient to keep mills running to full capacity.

APPLES

The farm price of apples on September 15 averaged $1.31 per bushel compared with $1.36 on August 15 and $0.88 a year ago. Since the middle of September apple prices have advanced somewhat. The higher level of prices this season is the result of a considerable reduction in prospective crop, estimated at 123 million bushels as of October 1, compared with a larger production last year of 246 million bushels. Should the crop be no more than now estimated it will be the smallest crop in nearly thirty years, excepting that of 1921, and only half of last year's crop. Usually the total value of the apple crop is not materially affected by the size of the crop. This suggests that with a crop half as large as last year the average price for the season may be nearly double that realized for last year's marketings. It further suggests that prices for the remainder of the season may average higher than those prevailing in September. The seasonal rise in the farm price of apples between September and May, in years of small crops, may be considerable or moderate. In years of small crops, such as in 1910, 1913,

1918 and 1919, the seasonal September price is nearly doubled by the advances to May. In other small crop years, such as 1917 and 1924, the May price is only about 50 per cent higher than the September price.

At present the market is somewhat depressed by liberal supplies of fruit showing irregular quality and condition. The commercial crop will be exceptionally light in the Ozark section, in Michigan and New York, and in the Potomac-Shenandoah Valley area. Spring freezes, scab and insect injury are partly responsible for the heavy losses in eastern sections and prolonged drought affected the apple crop adversely in the Great Lakes region. Many districts also report a larger percentage than usual of low-grade or defective fruit. This situation should enhance the market value of good quality apples. The heavy early shipments of American apples to Europe and the larger home supplies weakened the foreign demand for apples early in the season. Although conditions have improved some foreign demand is not likely to improve materially until after Christmas when the home grown supplies will be used up. However, with small supplies and higher prices in this country it is likely that exports of apples in 1927-28 will fall below those of last year.

POTATOES

The farm price of potatoes has continued to decline from $1.91 per bushel in April to $1.07 in September due largely to the expectation of a larger crop this fall than has been harvested since 1924, when the production was 422 million bushels. The October 1 estimate of production for 1927 was 394,757,000 bushels, as compared with 356,123,000 bushels harvested in 1926, which accounts for the price of potatoes in September

of this year being 23 cents per bushel lower than a year ago.

Prices at the central markets remained fairly steady during September. The price of western potatoes declined some due to heavy receipts from Minnesota and the Dakotas, while prices of eastern potatoes advanced slightly. Receipts began to increase somewhat during the last half of September. The total carlot shipments for this season to October 1 were 98,470, as compared with 90,303 cars a year ago, but receipts for the last two weeks of September were 1,299 cars larger than for the same period last year.

The seasonal trend of potato prices through September and October in the last 18 years has been downward in all but three years when somewhat smaller than average crops were harvested. In all but four years the price decline has continued through November. The price trend of potatoes through the period September to May is determined somewhat by the rate at which potatoes are marketed and this is in part dependent upon the keeping quality of the crop. If a large percentage of the crop is marketed in the fall prices are usually forced down somewhat lower than if the marketings in the fall are rather light. When marketings are large in the fall and prices are forced unusually low, consumption is usually increased. This leaves both stocks on farms and in storage relatively light and in the spring the seasonal rise in price is greater than average, while if receipts are light in the fall and heavy in the spring the seasonal rise is less than average. The average seasonal rise from November to May for the past eighteen years has been 19.7 cents, after adjusting prices to present price level. In years when crops were less than the average of the five preceding years the seasonal rise has been

41.4 cents per bushel while in years when crops were larger than the average there has been an average decline of 5.5 cents from November to May. As production this year is just equal to the five-year average, the normal seasonal rise in price may be expected. But as is usual after years of short crops and high prices farmers are hesitant about accepting lower prices for their potatoes this fall and may hold a large percentage of the crop over until spring. Should they do this, prices may rise less than usual from fall to spring.

HOGS

The hog situation improved materially during September. With a more than average seasonal rise in price and with better prospects for corn and with the present lower corn prices, the situation became much more favorable for feeding and is likely to result in more orderly marketing of the winter run of hogs than was indicated earlier in the season.

The average cost of packer and shipper droves at Chicago advanced from $9.40 for the week ending September 3 to $10.68 two weeks later, following which there was a slight temporary decline, but it later advanced to $10.81 for the week ending October 8. The average generally was about $2.00 below the corresponding period last year. Medium and heavy weight hogs made the greatest advance as well finished hogs became relatively less plentiful.

The market supply of hogs dropped off sharply in September. The decrease in receipts at seven markets amounted to 279,000 head or 18 per cent under the receipts of September, 1926. Receipts during July and August were materially larger than in the corresponding months of last year. Average weights during the month were less than a year ago. This further reduced the total pork production and lard yield.

Considerable pork moved out of storage during September. Pork stocks were reduced 21 per cent during the month compared with a reduction of 17 per cent during September last year, and 20 per cent for the 5-year average. Lard stocks also show a greater reduction than last year. Despite the increased quantities of hog products moved out of storage, stocks at the end of the month were greater than a year ago. Stocks consisted largely of frozen and pickled pork. Lard exports during September were about 29 per cent greater than in August and equal to those of September, 1926. Exports of pork products exceeded those of August by 28 per cent, but were 31 per cent less than

in September last year.

CATTLE

Prices of all grades of cattle moved upward in September and new high levels for the last seven years were made during the first week in October. Top prices recorded at Chicago were $16.90 for long-fed heavy cattle, $16.45 for fed yearlings and $13.50 for heavy western grassers.

September average price of native steers at that market was $12.63 compared with $12.02 for August, and $10 for September, 1926. Average price during the first week in October was $13.08.

Notwithstanding the seasonal increase in market supplies of grass cattle, prices for such kinds also advanced as slaughterers competed actively with feeder buyers for them. With range and forage conditions excellent, grass cattle are going to market in good killing condition and consequently are in strong demand for slaughter.

Market supplies of cattle compared with a year ago continue to show further reductions as the season advances. Receipts at seven markets during September totaled 889,872 head, which was 29 per cent less than in September 1926 and 23 per cent less than the 5-year average. The supply consisted largely of short-feds and grassers as receipts of choice and prime steers at Chicago during the month were only 48 per cent as many as were on sale there a year ago and in the first week of October were only 17 per cent as large. Current market reports state that the best grades were probably never scarcer than at present. Scarcity of finished cattle will naturally compel substitutions and strengthen the demand for the lower grades.

While feeder prices have followed the advance in fat cattle prices the prevailing margin between finished and unfinished cattle is wider than a year ago. Finishers, however, are cautious in making purchases for feed

lots. Most recent information indicates that the movement of cattle into feeding areas since July 1, to date is approximately 25 per cent below that of a year ago. Prospective market supplies of cattle for the remainder of the year indicate that this deficiency in the feeder movement may not be made up.

LAMBS

September lamb prices averaged about the same as those for August. The price trend during the month was upward, but some of the recovery made during the month was lost by the second week in October. At Chicago good and choice lambs, weighing 84 pounds and down, averaged $13.38 for the month. For the week ending September 10 such lambs averaged $12.59, the week ending September 24, $13.90, and for week ending October 8, $13.54.

Compared with last year lamb prices for September were generally lower, but at the end of the month prices were about the same as a year ago. The effect of the apparent temporary depression in the dressed lamb market on slaughter lamb prices at the end of September was largely overbalanced by the strong competition for feeding lambs, and live lambs at Chicago sold relatively higher than dressed lamb at New York. The supply situation this year was somewhat different from that of last year. More lambs were produced in the native lamb States and fewer in the western States, resulting in relatively large supplies of native lambs early in the marketing season and relatively fewer feeder and slaughter lambs from the West. The decreased number of lambs going on feed in the Corn Belt indicates a supply situation this coming winter somewhat the reverse of last winter when the market was oversupplied with lambs largely fed in that area.

So far this year the market supply of lambs from the 1927 crop has not been greatly different from that of last year. The number of sheep and

lambs slaughtered under Federal inspection during June, July and August was less than 1 per cent greater than during the same period last year and the market movement for the three months as measured by receipts at all public stockyards showed a decline of 4 per cent. Receipts at seven markets for September were 16 per cent less than for the same month a year ago.

BUTTER

Although 92 score butter made an unusual seasonal advance in price during September and the first part of October, prices of the lower grades of butter did not advance as rapidly, due to the increasing spread in price between the higher and lower grades. The spread between 92 and 88 score butter during August was only 3 cents, while in September it increased to 6 cents and on October 8 was $7\frac{1}{2}$ cents. The premium of high grade butter over the lower grades is largely due to the marked falling off in receipts during September because of the warm weather during the first half of September and the poor pasture conditions in the heavy producing states. The farm price of butterfat advanced only 2.2 cents from August 15 to September 15, while the price of 92 score butter at New York advanced 5 cents.

The cold storage holdings on September 1 were 24,886,000 pounds greater than on September 1, 1926, while on October 1 they were 22,070,000 pounds greater than a year ago. This change in cold storage holdings was due to 16,000,000 pounds of butter moving out of storage during September as compared with 13,000,000 pounds during the same month last year.

In spite of the fact that cold storage holdings are 17.6 per cent more than last year, the price of 92 score butter averaged $46\frac{1}{2}$ cents for September as compared with 45 cents last year. Part of this higher price

is due to the relative scarcity of high quality butter.

Another factor which has contributed to the recent strength of the butter market has been the prospect that relatively higher prices of feed grain would eventually affect production.

The butter market continues to be dominated by the domestic situation. Supplies in foreign markets are now relatively light with the prospect that they will continue so further into the winter than usual since Southern Hemisphere supplies will be affected by the lateness and continued unfavorableness of the new season in Australia. The Copenhagen official quotation was equivalent on October 7 to 40 cents against 49 cents on 92 score butter in New York.

EGGS

The beginning of October finds market egg prices for the best grades, from one to two cents higher than for the corresponding period in 1926. The farm price of eggs on September 15 was 29.4 or only 2.1 cents lower than September a year ago. The seasonal advance of egg prices has been somewhat more than usual and September was the first month since last January that 1927 egg prices at the markets reached as high or a higher level than for the same period in 1926. The high feed and low egg prices that prevailed throughout the egg producing areas during the spring and summer months, and the earliness of the heavy production season have all contributed to a reduction in the production of recent months. How long the 1927 fall egg prices will continue to remain above those of last year will depend very largely upon the care and attention given to the fowls on general farms, upon weather conditions in the principal producing areas and the size of the pullet crop which will soon begin to lay.

September egg production in the Middle West was not up to that of former years according to reports from that region. This was more the

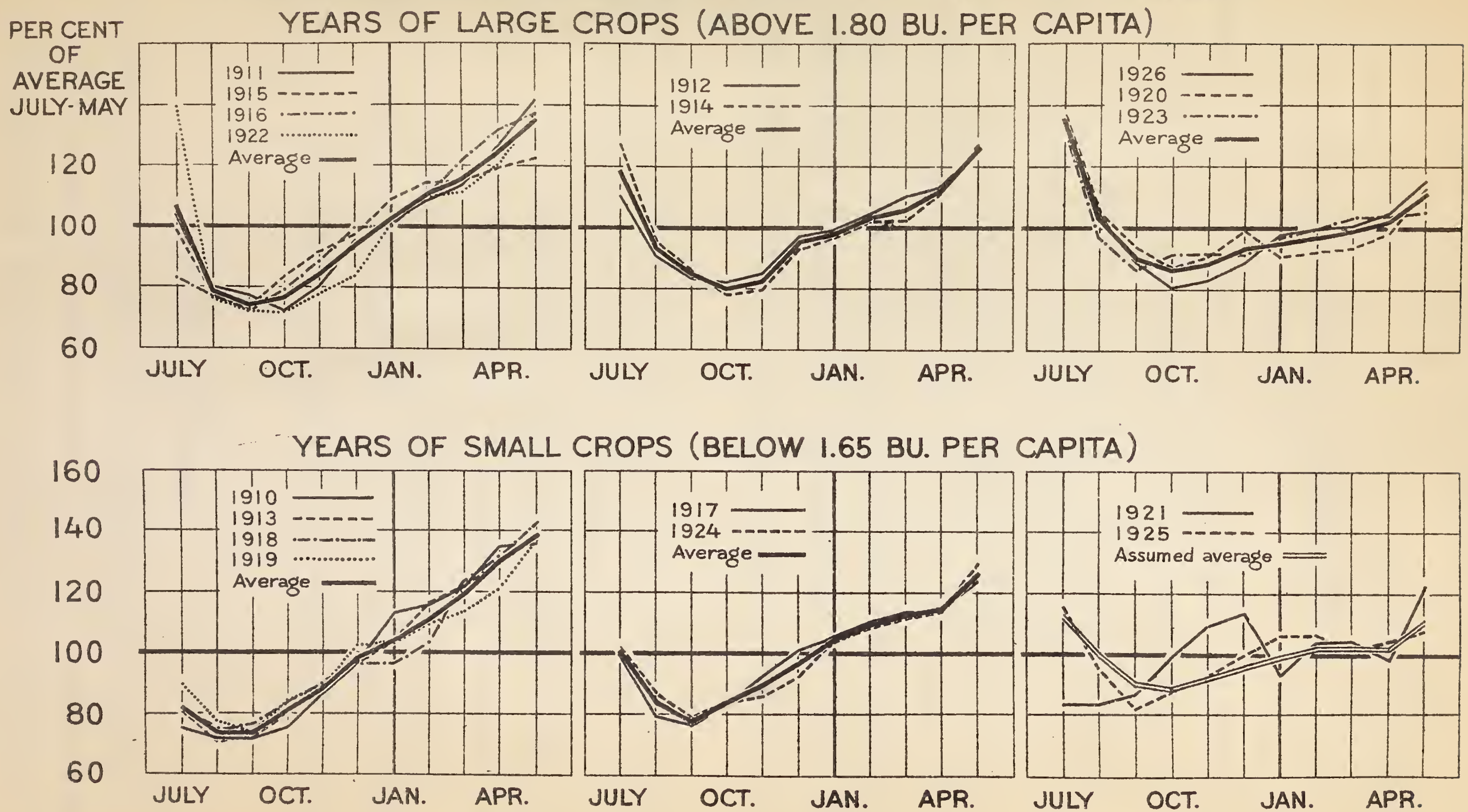
result of less attention to feeding and management practices in egg production than to any material reduction in the number of fowls on farms. The high price of millfeeds, together with low egg prices, during the summer, temporarily discouraged farmers from pushing their flocks for egg production. Fowls went into a molt earlier than usual and pullets were slow in coming into production due largely to a lack of feed and attention.

Egg receipts begin to drop materially after the end of May, and this year the decrease was greater than usual. This necessitated early drawing on storage stocks and for several months now the predominate feature of the markets has been the heavy withdrawals from storage. This enabled a reduction in holdings from a record high point to a moderate figure. Stocks on August 1 were 800,000 cases above August 1, 1926, and by September 1 a margin of only 80,000 cases remained. By October 1 this surplus had been entirely wiped out and the month was entered with stocks lighter than the previous year for the first time since early spring.

Top wholesale quotations for fresh gathered firsts at New York on October 5 were 50 cents, the same as in 1926; nearby hennery whites (closely selected extras) on the same date were 67 cents or 2 cents more than in 1926, while Pacific Coast extras were 62½ cents or 2½ cents more than in the previous year.

Greater premiums are paid for good eggs in October and November than for any other months. Eggs of the quality necessary to satisfy the best class of trade are very scarce and find ready buyers. The more generous arrivals of fresh gathered eggs of average and irregular quality come into competition with storage stocks and sell slowly.

SEASONAL VARIATION IN FARM PRICES OF APPLES



U.S. DEPARTMENT OF AGRICULTURE

BUREAU OF AGRICULTURAL ECONOMICS

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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THE PRICE SITUATION, NOVEMBER, 1927

FARM PRICES

The general average of prices received by producers on October 15 was 139 compared with 140 on September 15 and 130 on October 15 a year ago. The decline of one point was the net result of lower prices of grains, fruits and vegetables, and cotton, which more than offset the higher prices for meat animals, dairy and poultry products. Since the middle of October improved crop prospects have lowered prices of cotton, wheat, corn, barley and potatoes. Increased marketings have lowered hog prices considerably and prices of chickens usually continue to decline toward the end of the year. These declines are likely to outweigh the normal seasonal advances in butter, eggs and apples.

The general level of wholesale prices at central markets averaged somewhat higher during October than during September, as indicated by weekly price indexes. During September agricultural and non-agricultural prices both averaged 152, representing a decrease of 9 points in the non-agricultural average and an increase of 6 points in agricultural prices since September, 1926. During October farm and food product prices were higher than during September and prices of textiles, fuels, metals and building materials were lower.

BUSINESS CONDITIONS

During October business conditions in general failed to show the seasonal rise that was expected several months ago. Total money payments covering all lines of activity were higher in October than a year ago.

However, as in previous months these payments, as evidenced by debits to individual accounts, are not in line with conditions in the major lines of production and distribution. Pig iron production during October declined still further when normally an increase is expected, and steel prices also declined to the lowest since 1916. Steel prices also continued low with a slight improvement toward the end of the month. Automobile production apparently had not increased during October, judging from reports of lower employment in the automobile centers. On the other hand, the cotton textile industry continued its high activity, and building activity as indicated by the value of contracts awarded in 37 states continued at a high level, exceeding the value in October, 1926, by 9%. Of the total value of contracts of $563,000,000 in October, $188,000,000 represent public works and public buildings compared with $179,000,000 a year ago; $244,000,000 represent residential buildings compared with $227,000,000 a year ago and $131,000,000 represent industrial and commercial buildings, compared with $110,000,000 in October, 1926.

The total volume of goods distributed by railroads continued to increase, but still remained below last year's level. Distribution through retail channels showed increases over October, 1926, in mail order sales and sales of five and ten cent stores, but retail trade as a whole, as reported to the Federal Reserve Board, declined 3%. Bank loans continue to reflect the less active state of business in general and the greater activity in the speculative markets, loans on stocks and bonds being about 10% higher than a year ago, while loans for commercial purposes barely equal last year's loans. Discounts were lower than a year ago, and interest

rates were also lower. The easier money rate situation did not prevent a considerable decline during October in the prices of representative stocks. During the month successive declines brought the average of stock prices by the end of October nearly 10% below the peak during the first week in October. This decline is probably to be associated with the lower profits being reported by industries generally as compared with the favorable profits of the third quarter of 1926. During the first two weeks of November prices of industrial stocks regained about half of the recent decline.

COTTON

The average price of Middling spot cotton as quoted in 10 important spot markets for October was 20.35¢ per lb. or 7.95¢ higher than October a year ago, and .84¢ below the average for September 1927. Prices received by producers averaged 21.0¢ on October 15, compared with 22.5¢ on September 15, and 11.7¢ on October 15, 1926.

Official reports from the Weather Bureau have indicated very favorable conditions for the past several weeks for picking and ginning of the crop with the result that the grade of the 1927 crop so far has been unusually high. Recent studies by the Department in Georgia and Texas indicate that 92 and 94 per cent respectively, of the cotton ginned prior to October 1, was above Middling White in grade.

As reported last month the average price received by producers for all grades has been above the average spot middling price at ten important spot markets. This is probably due in part to the high average grade of the crop.

Indications as of November 1 were for a crop of 12,842,000 bales,

(500-pound gross weight), which is 19% less than the average of the final ginning for the three years 1924-26. On October 1 indications were for a crop of 12,678,000 bales. The Department of Commerce reported that 9,925,795 running bales were ginned of the 1927 crop to November 1. The ginnings to November 1, 1926, were 11,253,873 bales; to November 1, 1925, 11,207,197; and to November 1, 1924, 9,715,643. The area planted to cotton in India up to October 1 has been estimated by the Indian Department of Statistics at 20,592,000 acres compared with 22,143,000 planted to the same date last year. Weather conditions in India are understood to have been rather favorable. Production in India last year according to the Indian Department amounted to 4,162,000 bales, or less than any season since 1922-1923. The 1926-27 yield was 80 lbs. per acre compared with the average of 91 lbs. for the 5 preceding years. Estimated cotton production in Egypt is reported by the International Institute of Agriculture, Rome, at 1,255,000 bales of 478 pounds net, compared with a previous estimate of 1,319,000 bales, and a final estimate for last season of 1,497,000 bales.

World's spinners' takings of American cotton are maintained at a high rate. According to the Liverpool Cotton Association world's spinners' takings of American cotton from August 1 to October 28, amounted to 3,915,000 bales, compared with 3,802,000 bales for the corresponding period a year ago.

Reports received from our Agricultural Commissioner at Berlin state that the general situation in the textile industry in Continental Europe in September and October was more favorable than for many months. French and Italian mills showed signs of recovery from the long depression. The outlook for the immediate future was favorable in Germany and Central Europe.

Reports continue to indicate some dullness in the cotton goods market in the United Kingdom. Exports of piece goods as reported by the British statistical office of the Customs and Excise Department for the 9 months ended September 30, were 3,109,000 square yards compared with 3,009,000 for the same period last year, and 3,359,000 for the same period two years ago. According to the Bureau of the Census domestic consumption for the three months ended October 31, totaled 1,874,000 bales, compared with 1,640,000 for the corresponding period in 1926. Mill stocks in the United States on October 31 were 1,327,000 bales, compared with 1,216,000 bales on the same date a year ago.

In Great Britain according to the weekly report of the Liverpool Cotton Association, stocks of American cotton on October 28, were 692,000 bales, compared with 485,000 bales in 1926, and 257,000 bales in 1925.

Exports from August 1 to November 4, according to The Commercial and Financial Chronicle, amounted to 2,296,014 bales, compared with 2,784,116 bales for the corresponding period in 1926. Exports to Great Britain to November 4, this season, were 309,931 bales; last season 719,769; to Germany 855,105 compared with 814,815 in 1926; and to Japan and China 362,116 against 336,177 in 1926.

Reports received by the Association of Cotton Textile Merchants on finished goods at American mills show that sales in October were 68% of production, shipments 88.4% of production, stocks increased 17.6%, and unfilled orders decreased 13.6%.

WOOL

The firmness in foreign markets for raw wool continues to strengthen the domestic market. The price of domestic wool at Boston showed a general

increase for most grades during October and at the close of the month averaged somewhat higher than a year ago. Prices received by producers since January have shown little variation this year, and averaged about 31 cents per pound for both October 15 and September 15. Last year producers' prices averaged 32.6 cents on September 15 and 31.6 cents on October 15.

Since the close of the last series of the London Sales prices of wool in the foreign primary markets have continued to reflect the strong foreign demand for raw wool. The fifth series of the Sidney Sales opened October 31 with a tendency toward rising prices. There was a strong demand from all sections, especially from Japan, France, Germany and Russia.

Prices of wool in the United States have not risen in proportion to foreign prices. Accordingly domestic mills have used more domestic wool and have drawn from stocks of foreign wool in the United States, rather than buying in foreign markets. Consequently stocks of foreign wool in the United States have reached a low point. Stocks of wool held by reporting dealers and manufacturers in the United States were 357,107,000 pounds (grease equivalent) on September 30, 1927, compared with 375,714,000 pounds on September 30, 1926, a decrease of 5 per cent, all of which was due to the decrease in foreign wool stocks. Stocks of foreign combing and clothing wool in bond at Boston were only 9,506,000 pounds on October 31, as compared with 36,307,000 pounds on October 31, 1926, and 45,470,000 pounds on October 31, 1925.

The total imports of clothing and combing wool for January - September were 101,179,000 pounds, compared with 164,567,000 pounds for the same time last year. The amount of wool entered through the United States Customs at Boston, New York, and Philadelphia during the four weeks ending October 30

was 3,645,000 pounds (combing and clothing estimated clean weight), as compared with 2,283,000 pounds for the four weeks ending October 30, 1926.

Consumption of combing and clothing wool in September by reporting mills of the United States was higher than for any month of this year except March and higher than for any September since 1922. The consumption of all kinds of wool from January to September was 414,393,000 pounds (grease equivalent), as compared with 365,313,000 pounds for the same period last year.

According to the Pastoral Review, the Australian clip is expected to be approximately 15% smaller than last year. Receipts of wool into store in Australia from July 1 to October 31, 1927, are estimated at 1,542,277 compared with 1,460,817 bales for the same period of 1926, according to a cable from the Consul General at Melbourne. The larger receipts this year compared with last are attributed to earlier shearing on account of drought. It is also estimated by Australian authorities that the weight per bale will be less than last year. Disposals this year up to October 31 were 670,166 bales compared with 621,517 bales up to the same date of 1926.

Some improvement in the market for semi-manufactured wool and piece goods at Bradford has taken place in the past two weeks according to a cablegram from Consul Thompson.

WHEAT

The significant developments in the wheat situation in the past month have been the lowering of estimates of production in some European countries and in Canada. According to the International Institute of Agriculture, the Italian crop is estimated to be about 202 million bushels, 13 millions less than a previous estimate and 18 millions less than last year.

Slight downward revisions in estimates of the crops of other European countries including Spain and Yugoslavia have reduced the estimates of the European wheat crop outside of Russia to within 50 million bushels of last year's crop. Considering the reports of poor quality wheat in northern Europe, probable reduction in exports from Russia, and the possibility of an increase in consumption due to the lower prices now prevailing, it now seems possible that Europe may import this year more wheat than last year from overseas surplus producing countries.

Production in all countries reporting to date, including Australia and practically all of the Northern Hemisphere exclusive of Russia, amount to 3,163,000,000 bushels as compared with 3,063,000,000 bushels last year, an increase of 100 million bushels. The Australian crop is still uncertain. Less is known about the Argentine prospects but weather conditions and acreage as reported to date indicate that the crop is likely to be not very different from last year when Argentina produced 228 million bushels.

The Canadian November estimate of 444 million bushels is still larger than last year's crop but the quality of the grain marketed to date is not so good as last year. Of the inspections from August 1 to November 9, 37.6% graded No. 3 or better, whereas last year 54.6% so graded. Owing to the lateness of the harvest the movement of new crop grain to market has been delayed. The inspections August 1 to November 9 amounted to 121 million as compared with 144 million bushels last year. The market movement is now fully under way and will probably continue heavy until the closing of the lakes, which ordinarily is early in December.

The average farm price of wheat in the United States as of October 15 was $1.14 as compared with $1.19 in September and $1.21 for October last year.

Market prices fell sharply after the 15th but have recovered part of the decline. The average price of all classes and grades at five markets declined from $1.32 for the week ending October 14 to $1.23 in two weeks, but by the end of the first week in November had recovered to $1.25. Good quality soft red winter wheat and high protein lots of hard wheats were relatively scarce and commanded substantial premiums. The prices of all wheats except No. 2 red winter continue below the prices of the corresponding weeks last year. No. 2 red winter in the first week in November averaged 6 cents above a year ago, the higher prices resulting not only from a shorter crop of red winter but also a scarcity of the higher grades. Reported sales in six markets for the four months July to October of this year show that only 32% graded No. 2 or better as compared with 75% last year. Due both to the larger supplies placing all spring wheats upon an export basis and to the lower world price level, prices of spring wheat continue considerably below last year, No. 1 dark northern spring being 17 cents and No. 2 amber durum 42 cents below the average for the corresponding week last year at Minneapolis. Spring wheat grades are running higher than last year. The average price of No. 2 hard winter wheat at Kansas City for the week ending November 4th was 10 cents below last year. Hard winter wheat is also grading lower than last year but not so low as red winter wheat.

Although weather and crop reports from Australia and Argentina may cause prices to fluctuate somewhat in the next month, the recent downward revisions in the estimates of crops in Canada and certain European countries should have a tendency to strengthen the market. The effect upon world markets of the heavy Canadian movement may be reduced somewhat by the closing of the Lakes. Furthermore, the lower quality of soft red winter

wheat in the United States, of the spring wheat crop of Canada and of the crops of North Europe has a tendency to offset the increase in the world's production outside of Russia, and the lower prices now prevailing will probably encourage increased wheat consumption.

CORN

Corn prices moved steadily downward through October. No. 3 Yellow corn at Chicago declined from 95.2 cents on October 4 to 80.6 cents on October 27, then turned upward reaching 85 cents on November 8 and again declined to 83 cents on November 12. The unusually favorable weather for maturing the crop, the lack of frost in those areas where the crop was planted unusually late, and the heavier receipts of old corn during October were largely responsible for the decline.

Reports to the Department of Agriculture on November 1 indicate a corn crop of 2,753 million bushels for 1927, or 106 million bushels greater than in 1926. The quality of the crop on November 1 was reported to be 75.2 %, as compared with 72.6% in 1926. The supplies of old corn on farms November 1 was reported as 111 million bushels as compared with 183 million bushels a year ago. Should the November 1 indications of production be realized, this year's total farm supply of corn will be 2,885 million bushels in comparison with 2,852 million bushels last year. The visible supply on November 1 amounted to nearly 21 million bushels, as compared with 22 million bushels last year.

As was indicated in last month's report, feeding requirements this winter will be but little if any larger than last year. Although the supplies of barley and grain sorghums are larger than last year, the supplies of oats and cottonseed meal are smaller and this decrease in these feed crops along with higher prices for commercial feeds, may result in a

slightly greater demand for corn for feed.

The recent decline in prices in the United States has practically removed the incentive to import corn from Argentina. The spread between prices in Argentina and Chicago have narrowed to a low point. The nine European countries so far reported show a production of only 444,556,000 bushels, compared with 628,994,000 bushels last year. The smaller crop in Europe will probably mean larger imports during the coming year from both America and Argentina.

In comparison with last year, the prospects for a stronger demand from Europe and a slight increase in the feeding demand in the United States more than offset the slight increase in production and quality of the crop. Starting the year with a higher price level it seems probable, therefore, that prices will be maintained above the level of last year.

HOGS

Receipts of hogs at seven principal markets have been below last year since the second week in September, but increased sharply the last week of the month, and prices, which had been firm previously, took a sudden drop, apparently starting the usual fall decline. Indicated slaughter for October, however, was nearly as large as last year.

Contrary to the usual seasonal movement, prices during October averaged a trifle higher than in September, packer and shipper droves at Chicago averaging $10.39 for the month, just 17 cents higher than the previous month. The cost of packer and shipper droves declined from $11.10 the second week in October to $9.33 the first week in November.

The average weight of hogs at Chicago during October was slightly heavier than last year. The influence of corn prices higher than a year ago

was seen in the materially improved position of heavy hogs. During the last week of October heavy hogs commanded a premium over both medium and light weights for the first time in many months.

Cured products, which had been advancing since August, showed only slight further advances during October, while fresh cuts declined sharply during the latter part of the month. With the exception of loins for the first two weeks, all products sold much below a year ago. Export demand continued much lower than a year ago, September exports totalling 5% smaller than last September, in spite of the much lower prices of this fall.

With corn prices lower than during the early fall there does not now appear to be the danger of a heavy run of light partly-finished hogs this winter. Slaughter during the past four months totalled slightly more than during the same period of last year, and indications are that the winter run will continue to be larger than last year. Hog prices ordinarily decline 15 to 25 per cent from the fall peak to a low point early in December, and then recover less rapidly to a spring peak in March or April. With no present signs of improvement in demand and with corn prices still favorable for feeding, the indications are that prices this winter are likely to follow the usual seasonal movement.

The relation of hog prices to corn prices, while less favorable to feeding hogs than last year is still more favorable than the long-time average. While it may not pay to feed hogs to unusually heavy weights, feeding to normal weights and marketing at the usual times through the winter and spring would appear to promise the greatest returns.

LAMBS

In spite of a generally weak dressed lamb market during October, prices for slaughter lambs were fairly steady throughout the month. Top lamb prices at Chicago ranged between $13.75 and $14.15. The keen demand for feeder lambs helped to hold up the slaughter lamb market as a good many lambs suitable for slaughter were taken by feeders. Feeder lambs outsold fat lambs most of the month by from 50 to 75 cents and feeder lambs bought at Chicago were around 4 pounds heavier in October this year than last. While the fat lamb market in October this year was below October last year, feeder lambs at Chicago averaged nearly $.75 per hundred above October, 1926. While the movement of feeder lambs into the Corn Belt from July to October has been considerably below the movement last year, increased feeding in Colorado and western Nebraska will probably result in at least as many lambs being fed this winter as last, but with supplies much differently located and with a different monthly distribution of marketings of the fed lambs. Receipts in December and January will probably be less than last year, but from February to April they will exceed last year.

BUTTER

Receipts of butter during September were much below a year ago but during October were almost equal to the receipts during October last year. Out of storage movement was fairly heavy, and though stocks on November 1 of 110,768,000 pounds were 10% heavier than a year ago, they are now much less burdensome than they seemed in midsummer. As a result the advance in butter prices which had been under way since early August was checked, and prices were unsettled through October. Although the average price of 92

score for the month at New York, 48.4 cents, was 1.4 cents higher than a year ago, prices at the end of the month were at practically the same level as last year.

Domestic demand appears to be holding up well in spite of somewhat slacker business. The foreign situation is much firmer than last year, with better demand from western Europe, and a backward season in Australia due largely to drought.

Butter prices usually reach the peak of their seasonal movement in late November or in December, with the price for December averaging about 10% higher than in October. With the strong foreign situation and domestic supply and demand situation about the same as last year prices during November and December are likely to show about the usual seasonal advance.

PEANUTS

Virginia type peanuts of this year's crop have started to market. Color and quality are reported good, but the size is running smaller than usual The price of Jumbos opened at 4½-5 cents per pound at country points, with other grades less. This is slightly higher than last season's opening price, but 25% less than the figure at which old stock last sold.

Reports of November 1 indicate a production for 1927 of 918 million bushels as compared with 627 million bushels last year. The increase, however, is mostly in the Spanish and Runner type of peanuts, as the estimate of production of large podded peanuts is only slightly larger than last year.

Spanish and Runner type peanuts in the Southeastern States are rapidly leaving the farm. Due to the large crop the price of farmers' grade Spanish at country points is around $70-78 per ton and of Runners $55-60 per

ton. This closely approaches the prices of two years ago, but is much less than those prevailing in November last year, when Spanish peanuts brought the farmer $95-100 and Runners $85-87.50 per ton. Spanish peanuts in Texas are selling for around 90-95 cents per 30-pound bushel in the country.

More than half the crop in the Southeast has already been picked and has left the farm. Speculators are becoming active and prices are firm. Some peanuts have been bought by crushing mills, but it is not considered that any great quantity will be crushed for oil unless an advance occurs in the oil market.

Considering the smaller proportion of large peanuts of the Virginia type this season, it is probable that as the season progresses the premium for large-sized Jumbos and Bunch will increase. This would result in a widening of the price differential between the two sizes of cleaned and shelled Virginias.

The crop in China is reported to be smaller than usual this year, and the kernels not up to standard in size and quality. Competition with Virginia type peanuts will be less sharp than usual, therefore, and extra large Virginia shelled may be expected to bring more than the usual premium over No. 1 Virginias.

EGGS

The price of eggs has improved. The farm price of eggs on October 15 of 35.6 cents was 1.2 cents lower than a year ago but made the usual seasonal advance from the September price.

During October the price of fresh gathered firsts, of mixed colors, averaged about the same as for last year. The price of the best storage

packs was from 4 to 5 cents higher than a year ago which brought them up to the price of the fresh gathered firsts. This substantial increase over last year in the price of the best storage packs is further indication of the keen competition that is taking place on the New York market between common run fresh receipts and the best grades of storage goods, at this time of the year.

The New York price for the best grades of fresh eggs averaged about 4 cents less for the month than in 1926, even though the price at the beginning of the month was from 1 to 2 cents higher than a year ago. The October price advance for the best grades of fresh eggs amounted to 10 cents this year as against 15 cents last year. At the end of the first week in November, market egg prices for the best grades were from 3 to 4 cents under last year's prices. The tendency toward specialization in winter egg production is being reflected in larger winter receipts and an earlier start of the period of flush production which tends to eliminate the extremely high prices for fresh eggs, during the late fall and winter months.

The normal peak in egg prices occurs in November.

FLAX

Flax prices declined about 12 cents during the past month. At $2.07 a bushel at Minneapolis early in November flax prices are the lowest since 1921 and with that exception the lowest since 1915. This lower level is largely occasioned by continued large supplies in important countries together with heavy marketings of the 1927 crop in this country and favorable prospects in Argentina.

The preliminary estimate of the flaxseed crop of the United States is 24,300,000 bushels as compared with 18,600,000 bushels produced last

year. The new crop is being marketed earlier than usual this year and the supplies at the primary markets are larger than a year ago. By November 1, 1927, receipts of flaxseed in carlots at Minneapolis and Duluth were 45% of the estimated 1927 crop, as compared with 33% last year and 40% in 1925, according to the "Price Current Grain Reporter". The visible supply of falx as given by the Department of Agriculture on November 5 was 6,602,000 bushels, as compared with 3,460,000 bushels a year ago. The heavy marketings and large supplies have undoubtedly temporarily depressed the domestic price of flax.

Domestic consumption seems to be holding up well. The production of linseed oil in the United States for the nine months ending September 30, 1927, was 539,000,000 pounds as compared with 514,000,000 pounds for the same period last year. The stock of linseed oil on hand September 30, 1927 was a little greater than last year, 117,000,000 pounds as compared with 107,000,000 pounds on the same date in 1926. Consumption of oil in factories has also been larger this year than last, being 345,000,000 pounds for the first nine months of 1927, as compared with 312,000,000 pounds in the first nine months of 1926.

The trend of prices during the rest of the 1927-28 season will be largely determined by the developments in the Argentine crop. The Canadian crop now estimated to be 4,755,000 bushels is 1,200,000 bushels less than last year. While the North American crops are now estimated to be 4,500,000 bushels over last year's harvest the carryover in Argentina and the amount of seed remaining in India at the close of 1927 will probably be much smaller than a year ago. The acreage sown to flax in Argentina is slightly larger than it was last season but the production is still uncertain.

CATTLE

Cattle prices continued to advance during October and new top prices for nearly all kinds since 1920 were established at Chicago. Although receipts at 7 leading markets in October were only 7% below October last year and 10% below the 5-year average for the month, the prices on nearly all kinds of cattle were from 20 to 50 per cent higher than in October last year.

Wholesale prices of carcass beef and beef cuts show advances somewhat comparable to those of cattle but retail prices of beef do not seem as yet to have made comparable advances.

Conditions about November 1 pointed to a considerable decrease in cattle feeding this coming winter and supplies of slaughter cattle for some months to come are expected to be the smallest in some years.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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THE PRICE SITUATION, DECEMBER, 1927

FARM PRICES

The general average of farm prices on November 15, at 138, was one point lower than on October 15 and 8 points higher than a year ago. Declines in prices of cotton, corn, wheat, potatoes, flax, hay, hogs and chickens more than offset advances in prices of beef cattle, sheep and lambs, butter and eggs. The commodities which are mainly responsible for maintaining the index above that of last year are cotton, corn, oats, beef cattle and apples. The production of each of these commodities this season is below that of a year ago. Since the 15th of November cotton prices at the principal spot markets have declined, wheat prices have remained practically unchanged, and corn prices advanced but lost part of the advance during the second week of December. Hog prices averaged lower during the first week of December than on November 15, while cattle prices advanced slightly. Butter prices continued to advance toward the December seasonal peak. It is, therefore, likely that because of these offsetting tendencies the index of farm prices for December will not be materially different from the average of November. Should there be a decline of a point or two due to the lower cotton and hog prices now prevailing, it is likely that the decline would be recovered after the first of the year when seasonal rises in grain and livestock prices, in chickens and fruits and vegetables normally more than offset the seasonal declines in butter and eggs. Usually the average of farm prices in January is at least as high as in the preceding November.

At the wholesale markets agricultural prices during November remained at the October level, as indicated by the Annalist weekly price index. Nonagricultural prices averaged somewhat lower, particularly textiles and building materials. With a decline of one point in the index of farm prices during November, and somewhat lower nonagricultural prices at wholesale, it is likely that the ratio of farm to nonagricultural prices in November remained close to 92, the ratio for October, which compares with 80 for November, 1926.

BUSINESS CONDITIONS

General business activity during November appears to have been somewhat lower than in October and considerably lower than a year ago. Although the total volume of money transactions in November showed only a slight decline as compared with a year ago, the major lines of business activity showed continued weakness. Pig iron production continued to decline being 18 per cent below November, 1926. Textile production is reported as slowing down, and both the value of building permits and of contracts awarded were below last year's levels. In the case of building contracts awarded, the total for November, \$466,000,000, fell below that for November, 1926, \$487,000,000, in spite of an increase in public works and utilities and hospitals. Excluding these items, the decline in contracts awarded was from \$427,000,000 November, 1926, to \$371,000,000 November this year, or a decrease of 13 per cent. Automobile production appears to be increasing as is suggested by reports of some increase in number of workers engaged in automobile plants. Data on the total volume of employment and wage payments to factory workers are not yet available for November,

but wage payments probably did not change materially from those of October when payrolls were 6 per cent and employment 5 per cent below October, 1926.

The distribution of commodities in general, as shown by freight car loadings, fell considerably below last year, but most of this decline was in coal, coke and ore. Department store sales during October were 2.5 per cent below October, 1926, but during November they were one per cent above November, 1926. Sales of five and ten cent stores as well as sales through mail order houses have been well maintained.

The general business situation is also reflected in the fact that commercial loans by banks by the end of November were somewhat below those of a year ago and that available funds have been used rather in loans on stocks and bonds and in investments, and also that interest rates have remained below last year's rates.

In relation to the domestic demand for farm products it is to be noted that the lower level of business activity of recent months accompanied by lower money incomes of consumers, has affected adversely certain farm products, particularly butter and eggs. For these products present and prospective business conditions do not appear to suggest any marked change in demand during the next few months. Should employment improve in the automobile and iron trades, it may be offset by a lower volume of employment in the textile and building industries, as is suggested by the reports of curtailment in textile mill activity and by the recent lower value of permits and contracts awarded.

COTTON

The average spot price of middling cotton at ten important spot markets during November was 19.74 cents compared with 20.35 cents in October, 12.17 cents in November, 1926, and 19.92 cents for November, 1925. The trend of prices during November and the first week in December was downward, the price at the ten spot markets declining from 20.77 cents on November 2 to 18.64 cents on December 8. Prices received by producers on November 15 averaged 20 cents, as compared with 21 cents on October 15 and 11 cents on November 15, 1926.

The December 1 estimate of the United States cotton crop, according to the Department of Agriculture, is 12,789,000 bales (500 lbs. gross weight). Ginnings of the 1927 crop prior to December 1 reached 11,743,000 bales, as compared with 14,644,000 bales and 13,871,000 bales for the corresponding periods in 1926 and 1925 respectively, according to reports to the Bureau of the Census. No significant information has been received on foreign production during the past month.

According to the Bureau of the Census domestic consumption for the three months ending October 31, totaled 1,874,000 bales, compared with 1,639,000 bales for the corresponding period of 1926. Mill stocks in the United States on October 31 were 1,327,000 bales, compared with 1,213,000 bales on the same date a year ago. According to the Commercial and Financial Chronicle, some mill curtailment in production took place in New England and Southern States during November.

During November sales were 60 per cent of production as compared with 92 per cent in November, 1926, and shipments were 89 per cent of

production, as compared with 95 per cent a year ago, according to reports received by the Association of Cotton Textile Merchants of New York.

World spinners' takings of American cotton from August 1 to December 2 were 5,800,000 bales, compared with 6,000,000 bales during the same period in 1926, according to the Commercial and Financial Chronicle. World spinners' takings of foreign cotton to December 2 exceeded the same period last season, the total amount being taken this year being 1,843,000 bales, compared with 1,705,000 bales a year ago. This difference may be partly due to the relative scarcity of low grade American cotton in the 1927 crop and the higher cotton price level. The relative increase in the world's visible supply of all cotton during November was less than that of either of the two preceding years, being 7 per cent from November 4 to December 2 as compared with 18 per cent and 16 per cent for the corresponding periods of 1926 and 1925 respectively, as computed from figures of the Commercial and Financial Chronicle.

In Germany and Central Europe both spinning and weaving mills maintained higher activity during November, with the outlook favorable to a continued large consumption of cotton in the near future, according to Acting Agricultural Commissioner Steere. The competitive position of the mills in France and Italy was reported as strengthened.

The total exports of American cotton from August 1 to December 2 were 3,209,000 bales, compared with 4,252,000 bales in 1926 and 3,757,000 bales in 1925. Exports to Germany have been almost equal to those of last year, being 1,136,399 bales up to December 2 against 1,201,411 bales to December 2, 1926. Stocks at Bremen on December 2

were 587,000 bales, compared with 276,000 bales in 1926 and 286,000 bales in 1925. For Japan and China exports for the above period amounted to 504,829 bales this year against 585,362 bales a year ago. France and Italy are also behind, as compared with last season. Exports to Great Britain for the season up to December 2 have fallen considerably behind the same period last season, being 466,481 bales against 1,121,516 bales for the same time last season. Stocks of American cotton on December 2 at Liverpool and Manchester were 648,000 bales, compared with 757,000 bales at the same time in 1926; 420,000 bales in 1925, and 370,000 bales in 1924. (Figures on exports and stocks from the Commercial and Financial Chronicle)

WOOL

Trading in domestic wool on the Boston market in November was generally dull. Prices, however, remained firm and continued to reflect the strength of the foreign markets. Prices received by wool growers on November 15, were practically the same as on October 15, and slightly less than on November 15, 1926.

Consumption of clothing and combing wool in October was 37,400,000 pounds (grease equivalent) and was practically the same as for the previous month and for October a year ago. Imports of combing and clothing wool in October increased considerably over September while last year October fell behind September.

The sixth series of the London Wool Sales which opened on November 22 reflected the rising foreign primary markets and prices were from par to $7\frac{1}{2}$ per cent higher than the closing rates of the

previous series. Prices of Merinos at the London Sales on December 9 were barely steady, fine crossbreds were extremely firm and medium and low crossbreds were mostly unchanged, according to Agricultural Commissioner Foley. At the second Wellington Wool Sale which opened on December 6 prices of super and fine grades were maintained at November levels, but lower grades showed a slight decline, according to Consul General Lowrie. Prices of English wool at Bradford were firmly established at higher levels at the beginning of December, reports Consul Thompson.

World wool production in 1927 is estimated by the Bureau of Agricultural Economics to be slightly smaller than in 1926, but somewhat larger than in 1925.

WHEAT

The farm price of wheat declined from the middle of October to the middle of November, but the general level of market prices advanced after reaching the low point of the season at the beginning of November. The average farm price of wheat declined from 113 cents for October to 111 cents as of November 15, which is 13 cents below last year. Cash prices of all classes and grades at six markets advanced from an average of 123 cents the week ending November 4 to an average of 127 cents the week ending November 18. In the latter part of the month prices weakened somewhat, but held a good part of the gain, averaging 126 cents for the week ending December 2. The greatest advances were made by hard winter wheat at Kansas City and durum at Minneapolis. Prices of No. 2 soft red winter wheat at St. Louis declined slightly, but remained higher than last year.

There has been no material change in the estimate of world wheat production, wheat has moved freely in international trade, and foreign markets have strengthened. The world wheat crop outside of Russia and China still appears to be about 100,000,000 bushels greater than last year, but this increase in production is largely offset by reduction in supplies from Russia and poor quality of wheat in Canada and several northern European countries. The Argentine and Australian crop prospects are still somewhat uncertain. Most recent reports indicate that Argentina may have a slightly larger crop than last year, but Australia much smaller, and it does not seem likely that the outturn of these crops will materially change the present prospects as to world production and supplies. Canadian inspections continue to indicate low quality. Of the grain inspected to December 1 only 1.6 per cent graded No. 1 northern this year, as compared with 13.9 per cent last year, and only 10 per cent has graded No. 2 as compared with 24 per cent last year. The bulk of the wheat is grading No. 3 and under. Reports likewise continue to indicate large quantities of poor quality wheat in North Europe.

This season wheat has been moving in international trade more freely than last year. Shipments from surplus producing countries for the season July 1 to date exceed last year's. Practically all the old crop surplus has been moved from the Southern Hemisphere, and new crop grain has moved freely from the United States and Canada. The exports from the United States to December 1 were greater than last year and, in spite of late harvests, Canada has shipped slightly more than last year. The world's visible supply of wheat is considerably larger than last year but the increase is largely due to a shift in the production of the United States

and cheaper ocean transportation. In the United States an increase in the Northwest production east of the Rocky Mountains, with a reduction in the Southwest wheat crop, naturally results in bringing a greater proportion of the grain into the visible supply. This is due to the fact that in the South and East there is more farm storage and delivery direct to mills, leaving a relatively small amount of wheat to come into the markets where it is reported in the visible supply; whereas in the Northwest a very large percentage comes into such markets. The increase in the shipments afloat, another factor in the large visible supply, is due mainly to the fact that, whereas last year a marked increase in ocean rates on account of the British coal strike tended to delay shipments, this year wheat has moved freely.

At the beginning of December world market prices were on a higher level that at the beginning of November, and seem likely to remain firm continuing not far below that of last year. Reports from the Southern Hemisphere probably will continue to cause some fluctuations until the outturn of the crops is definitely known. Aside from these fluctuations prices are likely to be determined largely by the activity of European markets in relation to available supplies from the United States, Argentina and Australia, until the reopening of the Lakes, releasing the remaining Canadian surplus, and until prospects for the new crops begin to be factors in the market situation.

CORN

The steady advance in corn prices during November and the first week in December has been due largely to light receipts, the market reaction to poorer husking returns from the eastern leading producing States

and a decrease in the visible supply of corn at the primary markets. The farm price of corn declined from 87.6 cents on October 15 to 73.7 cents on November 15, but was 7.7 cents higher than in November, 1926. The price of No. 3 Yellow corn at Chicago advanced from 83 cents on November 5 to 91.4 cents on December 5.

The receipts of corn at the 13 primary markets during November were 15,924,000 bushels, compared with 22,587,000 bushels for November, 1926. The usual tendency is for the visible supply of corn to increase during November, but the visible supply on December 1 was 1,358,000 bushels less than on November 1 this year, whereas last year there was an increase of 6,441,000 bushels during November.

The export demand for United States corn during the next few months will probably be greater than last year. The exports of corn from the United States during the crop year November, 1926, to October, 1927, were 15,182,000 bushels. Although Argentina had the large crop of 321,000,000 bushels last year, they exported nearly 250,000,000 bushels from April 1 to December 1, which leaves a very small surplus to be exported from that country in the next four months. The corn crop in the importing countries is considerably less than a year ago. The 1927 Canadian crop is 4,355,000 bushels, compared with a crop of 7,815,000 bushels in 1926, and the European crop is 466,000,000 bushels, compared with 641,000,000 bushels in 1926.

The size of the crop is the principal factor in determining corn prices during the winter months and the final estimate of production for 1927 will have an important bearing on the trend of corn prices during the next few months.

FEEDS

The larger supplies of hay, barley, corn and grain sorghums this year are largely offset by the smaller supplies of cottonseed and oats. The amount of cottonseed available for meal is only about two-thirds that of last year and the oats crop is both smaller and of poorer quality than a year ago. The barley supply on the other hand is 34 per cent larger than the average supply for the past five years, and present indications are that the corn supply and grain sorghums crop will also be larger than last year. The supply of by-product commercial feeds will depend largely upon the amount of flour, corn products, and linseed and cottonseed oil manufactured and the amount of livestock slaughtered.

The 1927 hay crop is the largest on record and hay prices are lower than a year ago. With such a large crop and low prices there will probably be heavy feeding of hay to economize on the higher priced concentrates.

The exports of feed grains from the United States are likely to be larger this year than last. As is indicated in the corn report of this issue, corn exports are likely to be larger than a year ago. The exports of barley from July 1 to November 26, 1927, were 24,105,000 bushels, compared with 9,006,000 bushels for the same period in 1926, and the exports of oats for the same period this year were 3,471,000, compared with 2,434,000 bushels during the corresponding period last year. These increased exports are partly responsible for the higher prices of these feed grains this year.

The domestic demand for feed this year will depend somewhat upon weather conditions, but with average weather the amount of feed required should not be any greater than last year. The weather during the fall months was very mild and pasture was available later than usual. The number of horses and cattle on farms is less than last year and the stockers and feeders shipped into the corn belt States this fall are only 82 per cent of a year ago. The June 1 pig survey indicates a $3\frac{1}{2}$ per cent increase in the spring pig crop of 1927 but with the present corn-hog ratio it is not likely that this larger pig crop will be fed any more corn than a year ago when the corn-hog ratio was unusually favorable to heavy feeding. Indications are that the number of dairy cattle on farms this winter will be about the same as last winter. With higher feed prices and the farm price of butterfat and fluid milk about the same as a year ago it is not likely that any more will be fed to dairy cattle than was fed last year.

The price of all wheat feeds are higher than a year ago. The price of bran at Minneapolis for November was $28.94 per ton, as compared with $24.17 last year and $26.31 in November, 1925, and flour middlings were $33.02 per ton, as compared with $28.14 in 1926 and $28.64 in November, 1925. The higher prices appear to be due more to the decrease of 9 per cent in the production of wheat offal during the first quarter of the 1927-28 crop year and the higher price of corn and other feeds than to an increase in the demand for these feeds. The amount of wheat ground and the price of corn are the principal factors in determining the price of millfeeds and the future trend of prices will be highly influenced by the trend of these two factors.

The prices of cottonseed meal and linseed meal are also higher than a year ago. As the potential supply of cottonseed meal is principally determined by the size of the cottonseed crop and these two feeds are competing feeds the increase in price is largely due to the smaller cottonseed crop this year. The higher price of corn by-product feeds is due largely to higher corn prices.

HOGS

Market receipts during November showed greater increase over October receipts than was the case a year ago, and prices declined more sharply than usual. Heavy hogs at Chicago averaged about $1.50 lower in November than in October, while the average cost to packers decreased about 70 cents. Farm prices as of November 15 showed a corresponding drop of $1.17 from a month earlier.

The seasonal fall decline in the wholesale prices of fresh pork cuts was more marked than usual. At the end of November various representative cuts sold $4.00 to $6.00 lower than a year ago. Prices of cured products showed only moderate declines during the month but were all much below a year ago. Lard, with a 50 cent price advance the first week of December, was the only important product to advance at any time during the period. With shorter cottonseed supplies than last year and better purchasing power for lard in the Southern States the immediate outlook for lard seems better than for pork products.

Foreign demand, which in midsummer had recovered somewhat from the low level of the spring, weakened again during the fall. Exports in October were 7 per cent lower than in October of 1926, in spite of the fact that prices of hogs and hog products were much below a year ago.

Retail prices of pork and products this fall, as reported by the Bureau of Labor Statistics, show only about half as much actual decrease in cents per pound from prices of a year earlier, as do the corresponding wholesale prices. This partly explains why such a big reduction in wholesale prices has been necessary to move the volume of products going into consumption. The reverse situation in beef where retail prices have as yet advanced much less than wholesale explains why higher prices for cattle have had so little sustaining influence as yet on the demand for pork. There is nothing to indicate any recovery from the present demand situation either domestic or foreign until a slow readjustment of retail margins between retail and wholesale prices results in a better domestic wholesale demand.

Available information as to the size of the spring crop of 1927 compared with that of 1926, together with the smaller death losses from cholera this year, indicate an increase of around 5 per cent in the market supply of hogs during the next six months. Because of the short corn crop in several important hog-producing states, and the corn-hog ratio this year much less favorable to feeding than last, the indications are that the increase in the winter run, November-February, this year over last will be greater than the indicated increase in hog supplies.

This points to more normal distribution of supplies this year than last and consequently to a more usual price movement during the next five months, with possibly the spring advance more marked than the average.

CATTLE

Cattle prices advanced to a new peak toward the end of November. Practically all classes and grades shared in this advance. The top on beef steers at Chicago reached $19.00 and the average price of native beef steers for the month was nearly 50 per cent higher than for November, 1926. Prices of nearly all kinds of cattle have advanced continuously since last January. The cost to packers of cattle slaughtered in this period has been 14 per cent higher than last year, and 15 per cent higher than in 1925.

Supplies of cattle for slaughter and feeding have been reduced, hide prices are higher, and there is an increased demand for breeding stock.

The numbers of cattle on farms, according to estimates of the Bureau of Agricultural Economics, were reduced from 62 million head January 1, 1925, to 57,500,000 on January 1, 1927. This reduction in herds is beginning to

affect materially receipts at market. The receipts of cattle at 7 leading markets in November were 14 per cent less than in November, 1926, 7 per cent below the November average for the past 5 years, and the third smallest for November in over 10 years. The inspected slaughter in 10 months, January to October, this year was 5 per cent smaller than in the same period last year. Furthermore, the prospect is that the fed cattle available for slaughter in the next few months as compared with last year will be still less. The movement of stocker and feeder cattle from 12 markets into 7 principal corn belt States in the five months, July to November, this year was only 1,173,000 head, compared with 1,425,000 for the same period last year, a decrease of 18 per cent.

Undoubtedly a change in the attitude of producers to the cattle industry is also a factor in the present rise in prices. The upward trend of prices since 1924 apparently has now gone far enough to encourage breeders to begin to reserve more breeding stock. This is reflected in the inspected slaughter of cows and heifers, which during the first 10 months of this year was 337,000 or 8.4 per cent less than for the same period last year, while slaughter of steers was only 141,000 or 3½ per cent less than last year. The situation is even better shown by the slaughter for the period from July to October, when a greater percentage of the cows marketed is from beef producing herds. Cow and heifer slaughter for July to October, 1927, was 10.8 per cent below the same period of 1926 and 16.7 per cent below that of 1925. Steer slaughter for the same months in 1927 was 9.1 per cent below 1926 and 0.01 per cent below 1925. Many reports from the ranges of the West also indicate that producers are reserving more she-stock for breeding purposes.

Other strengthening factors in the beef cattle price situation are increased prices for hides and the narrowing of the margin between retail

and wholesale prices, which has a tendency to maintain the consumer demand for beef. Hide prices are now about 40 per cent higher than a year ago. Although storage holdings of beef are never an important factor in the situation, a reduction in storage supplies probably has been a factor in the rise in prices. The holdings of December 1 amounted to 20 million pounds, compared with 36 million a year ago and a five-year average of 23.5 million pounds. In September retail prices of various beef cuts, as reported by the Bureau of Labor Statistics, averaged only 1.4 cents higher than a year earlier, and in October 1.6 cents higher, while wholesale carcass prices were from 2 to 4 cents higher in September, and 3 to 6 cents in October. It usually requires some months for retail prices to be readjusted to changes in wholesale prices. The readjustment of retail prices to the higher wholesale price level may eventually reduce the consumer demand for beef at the higher price level. A readjustment of retail pork prices in line with wholesale prices, reducing the margin of profit to retailers in this line, may tend to force retailers to make the readjustment between wholesale and retail beef prices and thus hasten the rise in retail prices of beef. This readjustment may prevent subsequent decreases in beef slaughterings from having as marked an effect upon live cattle prices as has had the recent reduction.

Cattle supplies during the next six months are expected to continue below last year and a continuing strong market is indicated.

LAMBS

Lamb prices in November were a little higher than in October and toward the end of the month top killing lamb at Chicago reached $14.50, the highest point since August. Supply of lambs continued fairly liberal with receipts at 7 leading markets about 4 per cent below November last year but 7 per cent above the five year November average.

While supplies of fed lambs during December and January will probably be below last year, total seasonal supplies for 6 months, December to May, will exceed last year, due to the increased numbers on feed in Colorado and Western Nebraska.

APPLES

The farm price of apples on November 15 at $1.42 per bushel was 7 cents higher than on October 15 and 60 cents higher than a year ago, reflecting the very small crop of 119,000,000 bushels in prospect this year, compared with 246,000,000 bushels last year. At the central markets also apple prices advanced during November and were well maintained during the first week of December. Prices of eastern apples (Jonathans, Greenings and Baldwins) averaged at least twice as high as a year ago, reflecting the heavier crop reduction in the Eastern States.

Shipments of apples through November have reached about 65,000 cars, compared with 97,000 cars for the same period a year ago, or about 67 per cent as large as last year. In view of the size of the commercial crop (40% less than last year) and of the total crop (50% below last year) the movement of apples appears to be relatively heavy. Cold storage holdings are also heavier than would be expected from the smaller commercial crop, the holdings being only 25 per cent less than a year ago.

These relatively heavy movements and holdings, together with weak prices in the British markets, may have been factors in preventing a more rapid rise in farm prices than has taken place during the past two months. The extent of the seasonal rise in apple prices from now on will undoubtedly depend in part on the relative volume of shipments for the balance of the season. Judging from the volume of shipments in relation to the commercial crops of the past six years, it seems probable that shipments for the balance of the season (after December 1) may amount to about about 30,000 cars compared with 37,000 cars for the same months last year, and this would tend to produce a moderate seasonal price rise rather than a very marked one. This, however, may be offset by the fact that apple supplies in the East are very short, suggesting an increased demand in the East before the end of the season. Another factor in the trend of prices will be the keeping quality of Western apples.

POTATOES

The average farm prices of potatoes for the United States made the usual seasonal decline during October and November. The farm price on November 15 was 95.4 cents per bushel, as compared with 97.9 cents in October, $1.07 in September and $1.41 on November 15 a year ago. The decline in potato prices has not been uniform, however, as potato prices in the northeastern States advanced from $1.05 to $1.13 from September to November, whereas during the same period farm prices in the north central and far western States declined from $1.04 to 84 cents and 93 cents to 66 cents respectively. This difference in price trends is due largely to the location of the surplus supplies and the time of marketing in the different areas. During the last three weeks of November and the first week of December market prices tended generally downward.

Although the indicated crop of November 1 is 400,305,000 bushels, or 44,182,000 bushels greater than last year's crop and 6,170,000 bushels greater than the five-year average, the crop in the 19 late surplus potato producing States is only 23,100,000 bushels larger than last year and 5,000,000 bushels less than the five-year average, while the early and intermediate surplus potato producing States produced 21,000,000 bushels more than last year and 11,000,000 bushels more than the five-year average. The surplus of the early and intermediate crop was mostly marketed by the end of September which largely accounts for the price of potatoes being lower than usual at the principal markets during July, August and September of this year.

After September practically all of the shipments until the following spring comes from the northern and far western States. The crop in the north central and northeastern States is only 1,000,000 bushels larger than last year and is 27,000,000 less than average while in the far western States the crop is 22 million bushels larger than last year and nearly 23 million bushels larger than the five-year average.

Indications are that many potato growers in the late crop States are holding their potatoes for higher prices as car-lot shipments up to December 3 were only 800 cars, or less than one per cent more than on the same date a year ago, while this year's crop in those States is over 9 per cent larger than a year ago. The tendency to hold is greater in the Rocky Mountain and far western States than in the central and northeastern States as up to December 3, car-lot shipments from the far western States were 2,000 cars or 7 per cent less than last year with a

38 per cent larger crop, while the northeastern and central States have shipped 2,800 cars more than a year ago from a crop only 1,000,000 bushels greater. The movement of potatoes from the eastern and central States for the remainder of the 1927 crop probably will be about equal to last year while movement from the western States may be away above last year. With western potatoes plentiful on eastern markets at present and large supplies available it is doubtful if potato prices make more than the usual seasonal advance in prices from November to May.

BUTTER

Receipts at 5 markets during November were 1.3 per cent higher than last November. While prices advanced steadily through the month, the advance was not as sensational as that of a year ago, and prices for the month at New York averaged one cent lower than during the same period last year.

Movement out of storage during the month was not quite so heavy as a year ago, so stocks in storage still remain considerably heavier than a year ago, stocks of 83,240,000 pounds on December 1 representing an increase of 29 per cent over last year.

The foreign situation continues strong, with increased demand in western Europe maintaining prices well above last year. Pasture conditions are unusually good in New Zealand, however, and are improving in Australia, but it does not now seem likely this will affect the domestic situation before the end of the period of winter scarcity, when imports are usually made if at all.

The lower butter prices are apparently due to the slightly increased production and to a lower domestic demand occasioned by the lower money income of city consumers.

Butter prices ordinarily reach their seasonal peak in December, with an average price a few per cent higher than in November, then decline through January to a level in February and March about 8 to 10 per cent lower than in December.

EGGS

Winter egg prices for the best grades of fresh receipts at New York began their seasonal decline this year along about November 15, which was two weeks earlier than last year. The decline was most pronounced in the price of closely selected nearby hennery whites, which by the end of the first week in December had dropped nearly 20 cents a dozen. Wholesale prices for these grades at New York did not reach the maximum level of a year ago nor did they maintain their maximum seasonal price level for so long a period.

The lower winter egg prices for the best grades of fresh receipts at New York have been due largely to the heavier movement of fresh white eggs from the Pacific Coast. The Pacific and other far western States supplied New York with 47 per cent of its total November egg receipts and 39 per cent of its October receipts this year, as compared with 45 per cent for November and 29 per cent for October a year ago. It is probable that two-thirds or more of New York's supply of fresh winter eggs, during these months, comes from the far western States.

Price competition between the ordinary run of fresh gathered firsts and fancy storage eggs has been unusually severe during the past two months. This has been largely due to the poor and irregular quality of the current receipts and to the uniform and high quality of the best storage packs. The New York egg law which went into effect last fall

is probably also an important factor in bringing these two grades of eggs into more direct competition during the season of low receipts. This law permits eggs to be sold on the basis of quality rather than on the length of time that the eggs were held in storage.

The storage egg situation appears to be in the best statistical position that has prevailed for a number of years. November 1 holdings of cased eggs were 261,000 cases less than last year. Holdings of frozen eggs, however, were somewhat above a year ago. Fancy storage stocks have moved satisfactorily at prices from three to five cents above the October and November prices of last year. The demand has been dull for all stocks of inferior quality both storage and fresh.